FINANCIAL TIMES

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World Business Newspaper THURSDAY MARCH 30 1995 D8523A

Deutsche Bank profits at $2.9bn after 23% decline

Deutsche Bank is optimistic about this year after profits at Germany's largest bank fell sharply as a result of the weakness of world bond markets.

Chairman Hilmar Kopper (left) said he expected an improvement this year after operating profits for 1994 fell 23 per cent to DM4.05bn ($2.9bn), putting them back to the level of 1991. The first two months had been encouraging, he said – "it will not be a dramatically good year, but it will certainly be better than last year". Page 17; Lex, Page 16

Britain blocks EU protest letter: Britain drew Spanish anger when it blocked an "unhelpful" EU letter of protest to Canada over the North Atlantic fishing rights dispute. Page 16

Philippines sues airline chairman: The Philippine government said it would sue Lucio Tan, the chairman of Philippine Airlines, for $1bn in unpaid taxes after failing to resolve a row over a rescue plan for the ailing national carrier. Page 16

Republican tax bill "in trouble": US speaker Newt Gingrich conceded the Republican's tax bill was "in some trouble" as it emerged that any cut is likely to be much less than the $189bn proposed in the Contract with America. Page 4

VW improves sales: Volkswagen, Europe's leading volume car producer, raised sales by 3 per cent in the first quarter this year, confirming a recovery in its leading markets. Turnover for the three months increased to DM20.6bn ($14.6bn) from DM20bn in the same period last year. Page 17

Germany suspends Turkish arms: Germany, increasingly critical of Turkey's continuing occupation of northern Iraq, announced it would suspend further military deliveries. Page 3

UK troops may train in Poland: British troops may start training in Poland after fears that training grounds in southern England might sustain unacceptable environmental damage if all exercises were carried out in the UK. Page 10

US auctions pollution allowances: The cost of creating acid rain in the US fell this week as the Chicago Board of Trade conducted the US Environmental Protection Agency's third auction of sulphur dioxide pollution allowances. Page 20

Clark shares jump 50%: Shares in US machinery manufacturer, Clark Equipment, jumped more than 50 per cent on news that it had been the subject of a $1.3bn takeover approach by rival Ingersoll-Rand. Page 20

UN official criticises Bosnians: Yasushi Akashi, the top UN official in former Yugoslavia, strongly criticised the Moslem-led Bosnian government for launching the sustained offensive which has derailed a countrywide ceasefire. Page 3

China approves HK airport law: Beijing approved a law to create the Airport Corporation, operator of Hong Kong's proposed new airport in a move seen as a step towards resolving negotiations over building the airport. Page 8

Sprint group to invest $4.4bn: The US telecoms consortium formed last October by long-distance telephone company, Sprint, and three cable TV operators, is to invest $4.4bn over the next three years. Page 20; Lex, Page 16

US calls for Libyan embargo: US call for a UN embargo on oil exports from Libya is the latest action aimed at isolating Iran, Iraq and Libya, the three Middle Eastern governments which Washington perceives as threats. Page 9

Nigeria loses $195m loan: The World Bank has cancelled a $195m loan for telecommunications in Nigeria because of the government's failure to reform the state-owned Nitel. Page 9

Three killed in Gaza border crash: A Palestinian truck driver and two Israeli border policemen were killed and two policemen wounded in a collision and shooting in the Palestinian-ruled Gaza Strip, officials said.

Suard appeal date set: The Paris appeal court will hear on April 5 a request to lift controls on Alcatel Alsthom chairman Pierre Suard which prevent him from running the company.

France braces for travel strike: France prepared for travel chaos today when unions representing airline, railway and Paris metro employees plan a day of strikes over pay and job security.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,194.00	(+42.19)
NASDAQ Composite	828.68	(+2.54)
Europe and Far East		
CAC40	1,852.42	(+15.23)
DAX	1,918.88	(+7.92)
FT-SE 100	3,142.3	(+14.0)
Nikkei	16,460.7	(–221.0)

■ US LUNCHTIME RATES

Federal Funds	6¼%
3-mth Treas Bills: Yld	5.817%
Long Bond	103 7/32
Yield	7.351%

■ OTHER RATES

UK: 3-mo Interbank	6 21/32%	(same)
UK: 10 yr Gilt	99 13/16	(100 1/32)
France: 10 yr OAT	97.83	(98.52)
Germany: 10 yr Bund	101.44	(101.36)
Japan: 10 yr JGB	106.606	(106.234)

■ NORTH SEA OIL (Argus)

Brent 15-day (May)	$17.41	(17.225)

■ GOLD

New York: Comex	$ n/a	(383.1)
London: close	$383.3	(382.15)

■ DOLLAR

New York: lunchtime		
£	1.6085	
DM	1.38385	
FFr	8.4765	
SFr	1.141	
Y	88.275	
London:		
£	1.6128	(1.6007)
DM	1.3773	(1.3997)
FFr	4.8691	(4.9399)
SFr	1.1355	(1.1545)
Y	88.115	(89.29)

■ STERLING

DM	2.2212	(2.2404)
Tokyo close:	Y 88.90	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lw100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	CZK56	Israel	Shk7.80	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mTord)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00

Senior managers facing redundancy in radical corporate restructuring

Shell shake-up hits 1,200 jobs

By Robert Corzine in London

Royal Dutch Shell, the Anglo-Dutch group, yesterday proposed its biggest corporate shake-up in 30 years in an attempt to boost its financial performance.

About 1,200 of the 3,900 staff at Shell's service companies in The Hague and London are likely to lose their jobs in the proposed restructuring.

Senior managers, including some of Shell's powerful "regional barons" will be among the redundancies, according to company officials. They say there is scope in the proposals for "generational change" within the ranks of senior managers.

But the main aim of the plan, which has been worked out over the past six months with McKinsey, the management consultants, is the elimination of layers of bureaucracy worldwide, a reduction of the "committee culture" and the streamlining of decision-making in Europe's largest company.

Mr Cor Herkströter, the Dutch chairman of Shell's top-level committee of managing directors, yesterday said the company's flagging performance against its international competitors had triggered the changes.

Although the Shell Group reported net income of £4bn ($6.4bn) last year, Mr Herkströter said: "There are too many clear instances where we are outperformed by our competitors."

Shell's underlying return on capital employed of about 10 per cent was "modest", he said. It was also insufficient to "sustain the plans which we would like to carry out for the longer term".

Barons swept out of fiefdom ....Page 15
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In speeches to employees in The Hague and London, Mr Herkströter said the present organisation of the company was ill-suited to a business environment of flat oil prices and growing competition.

Under Dutch law, Shell's works councils in the Netherlands must be consulted about the proposals before they can go ahead. The company hopes to implement them by October.

Analysts generally welcomed the proposed shake-up. Shares in Shell Transport and Trading, however, closed unchanged at 705p in London yesterday.

The complex shareholding structure between the Dutch and British units of the company will not be affected by the plan, which also excludes Shell Oil, the group's US arm.

The redundancies will be mainly confined to the European-based service companies that provide legal, accounting and other administrative support. The proposed job cuts should result in eventual cost savings of about $100m a year, say analysts. But the company has declined to disclose the savings it hopes to achieve through the restructure.

The biggest proposed change is the break-up of the geographical units around which the company is currently organised, and which critics say encourage the growth of powerful regional fiefdoms.

These will be replaced by separate worldwide business units for each of Shell's main businesses, including exploration and production, oil products (refining and marketing), chemicals, gas and coal.

These will be led by a business committee of between six and eight senior executives. They will develop global and regional strategies as well as approve capital spending plans. Decisions will be taken jointly, with a member of the four-man committee of managing directors overseeing each unit in a non-executive capacity.

The group's top four executives will not be affected by the changes. They will continue to set Shell's overall direction and policies and appraise the performance of the group. They will be supported by a corporate centre in The Hague and London of about 300 people.

Europe to get 500 more TV channels by 1997

By Raymond Snoddy in London

Europe is facing an explosion of digital television with more than 500 channels likely to come on stream in the next two years.

More than 90 per cent of capacity on three all-digital satellites due for launch between now and the first half of 1997 by Société Européenne des Satellites of Luxembourg is either contracted or already under option.

The sums being committed to the future of digital satellite television run to hundreds of millions of pounds because most of the deals agreed are for 10 years.

Digital television allows six to 12 TV channels to be squeezed from a single transponder. Current analogue technology broadcasts only one channel.

Two broadcasters, Canal Plus, the French subscription television company, and Nethold, the pay TV company with subsidiaries in 40 countries, have announced plans to launch digital television services before the end of this year.

SES, operator of the Astra satellite system, is believed to have agreed deals with other broadcasters which are still to be announced or are awaiting formal clearance from the Luxembourg government. These are believed to include British Sky Broadcasting, the satellite venture in which Pearson, owner of the Financial Times, has a significant stake, and the Kirch organisation in Germany.

The three Astra digital satellites will carry a total of 56 transponders, each of which will be able to broadcast up to 10 channels of VHS quality.

Apart from adding to the total number of channels available, the digital revolution will almost certainly concentrate on two forms of new services.

One will be "near video-on-demand". This will allocate as many as 60 channels to the top 10 films at any one time. Each film will appear on six channels, with staggered starting times so that viewers are never more than 20 minutes or so away from the start of the film they want to see.

The other main group of services will involve multiplexing: repeating the same television programmes in different order across several channels to offer greater viewing choice. Multiplexing is also being used by MTV to vary advertising in different markets.

Digital choice came closer on Tuesday when Eutelsat, the rival to Astra, successfully launched its Hot Bird I satellite, which can be used either for analogue or digital channels. It is probable that at least half the 16 channels will be used for digital purposes.

Major steers clear of European issues

UK prime minister John Major barely mentioned European policy during a London conference in which business leaders urged Britain to strengthen its commitment to the EU.

With Mr Major are former US secretary of state Henry Kissinger (left) and Lawrence Martin, director of the Royal Institute of International Affairs. Report, Page 16 Picture: Tony Andrews

Controversy as EU gives go-ahead for new Athens airport

By Emma Tucker in Brussels and Peter Marsh in London

The European Commission yesterday gave the Greek government permission to press ahead with controversial plans for a new international airport at Athens.

A majority of commissioners in Brussels voted not to open an investigation into allegations that the Greek socialist government violated internal market rules on public procurement while awarding the Ecu2bn ($2.6bn) contract to a consortium led by Hochtief, the German construction company.

During a 4½ hour discussion the French, Belgian and British commissioners and Mr Mario Monti, the Italian commissioner responsible for the internal market, argued that further investigation was necessary to remove any doubts surrounding the project.

The commissioners also said failure to scrutinise the Greek government's alleged wrongdoings could damage the Commission's reputation, in particular its commitment to take action against countries that violate EU law.

But Greece has argued that any delay in building the airport would harm economic development and slow attempts to bring its economy into line with its EU partners.

The creation of a single market in public procurement – one of the most lucrative sectors of the EU market – has been dogged by the failure of member states to implement the legislation that would make it a reality. But Greece has special dispensation from Brussels to delay implementing the legislation until 1998.

The Commission first investigated the project following complaints from subcontractors last year, after the Greek government insisted on changing contract terms agreed in 1993 by its Conservative predecessor.

A leading complainant was Dumez GTM, a French construction company which was the leader of a second consortium bidding for the contract.

Dumez complained the Greek government had unfairly handed the contract to Hochtief.

It alleged that the Hochtief side had been given information to enable it to make a more complete response to tendering documents.

Executives from the French consortium were reluctant to comment publicly on yesterday's events.

But they were thought to be bitter about the decision, having told the Commission privately before the meeting that to let the contract go ahead would set back the goal of issuing public contracts fairly across Europe.

A Commission official, who said the decision not to investigate the case was purely political, said yesterday: "We have concerns on the internal market, because we need to have the respect of the law.

"We have to ensure a level playing field and conformity with the treaty."

Brussels to act as Euro-fraud doubles to $1.3bn

By Lionel Barber in Brussels

The European Commission intends to propose new legislation to tackle fraud, following the publication of official figures showing that detected fraud against the EU budget doubled to more than Ecu1bn ($1.3bn) in 1994.

The new measures may lead to a tightening of rules covering export refunds and other handouts under the Common Agricultural Policy, which accounts for just over half of the Ecu81bn EU budget this year, according to Commission officials.

The new EU rules would complement efforts under way to secure a uniform approach throughout the 15-nation Union regarding the definition and prosecution of fraud. Justice ministers have begun reviewing proposals for an EU-wide convention.

Despite the two-thirds increase in the number of cases of detected fraud and the doubling of sums involved to Ecu1.03bn, the Commission put a positive gloss on the results of its 1994 annual report on the battle to stem fraud.

Mrs Anita Gradin, the new Swedish commissioner responsible for financial control and justice affairs, said the rise reflected a more active Commission role and more Brussels manpower devoted to rooting out abuse.

She said most cases involved abuses under the CAP and in the "own resources" which cover EU income from customs and agricultural levies. Another worry is that organised crime is becoming more sophisticated in exploiting the single European market.

One problem area is the "transit system" which allows suspension of duties and other charges in the barrier-free single market. Losses of revenue since 1990 are estimated to be at least Ecu750m.

Several important cases involved gangs working outside the EU in central and eastern Europe and Switzerland. Some are selecting which legislation suits their activities best among the member states, said Mrs Gra-

Continued on Page 16

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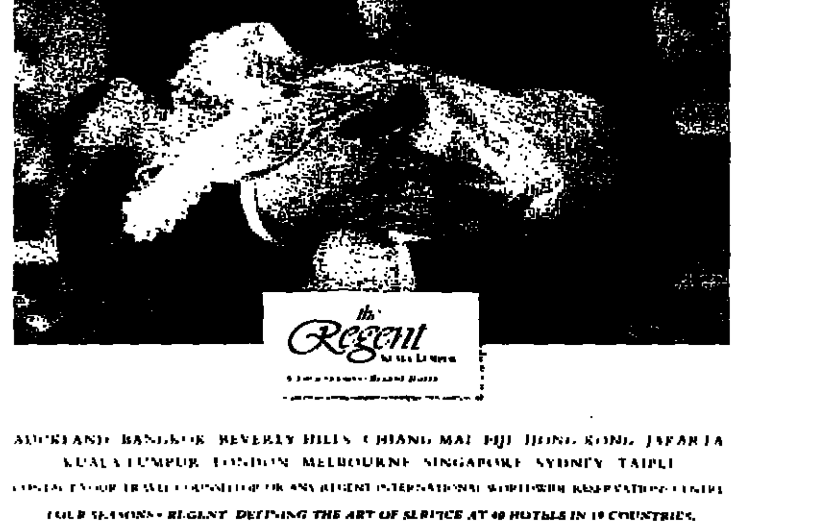

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FOUR SEASONS • REGENT DEFINING THE ART OF SERVICE AT 40 HOTELS IN 19 COUNTRIES

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UK and European parties differ over Union's future

Tory stance comes under EU assault

By Lionel Barber in Brussels

The gulf between the UK Conservative party and Europe's centre-right parties over the European Union's future loomed large yesterday at a conference aimed at forging a pan-European position on the Maastricht treaty review conference in 1996.

On the opening day of the Brussels meeting, a succession of Christian Democrats called for wide-ranging reforms of decision-making, including a dilution of the national veto in an expanded EU.

But Mr Jeremy Hanley, UK Tory party chairman, warned the inter-governmental conference (IGC) in 1996 would not be a success if it was too ambitious. "Our theme must be of effectiveness and implementing what we have agreed, not some giant leap forward," he said to polite applause.

The conference, attended by centre-right political leaders from western and eastern Europe, is being viewed as a foretaste of the difficult institutional debate which the 15-member Union faces ahead of an IGC likely to stretch well into 1997, beyond the next UK general election.

Sensitive issues include moves to intensify co-operation in defence under the umbrella of the Nato alliance; changes in the voting weights of smaller and larger states to cope with future enlargement to eastern Europe; and sharpening up the fledgling common EU foreign policy.

Mr Jean-Luc Dehaene, Belgian prime minister, outlined the maximalist case by calling for more majority voting, a larger Commission role in common foreign policy as well as justice and home affairs, and the possibility of a vanguard of integrationist-minded states moving ahead, with the rest able to follow later.

Mr Dehaene also urged harmonisation of fiscal, environmental and social policies to follow the planned move to a single currency before the end of the century.

Most of these positions explain why Britain blocked Franco-German efforts to install him as Commission president last year.

Mr Dehaene's speech was well received, but it fell to Mr Jacques Santer, the former Luxembourg premier and present Commission leader, to offer some comfort to the British.

In contrast to Brussels' opening bids for more power before the Maastricht treaty in 1991, Mr Santer made clear he does not support the extension of Commission responsibilities. He put the accent firmly on consolidating existing powers and making EU decision-making more accessible to the ordinary citizen.

However, Mr Santer reiterated his support for the creation of a European monetary union by the end of the decade.

Italian referendum date fixed

By Robert Graham in Rome

The Dini government took an important decision defining Italy's political calendar for the coming months by fixing June 11 as the date for a series of referendums.

With regional and local elections due on April 23, and the referendums now set for early June, it will be impractical to hold a fresh general election before the summer as demanded by Mr Silvio Berlusconi, the former prime minister.

Mr Berlusconi's opponents claim he wants June elections to head off the referendums. Three of the 12 directly affect the status of the three commercial television channels owned by his Fininvest business empire.

These are the most polemical of the referendums. If they pass, Mr Berlusconi would be reduced to owning one channel, would lose the right to run advertising during films, and would face strong curbs on the activities of his Publitalia advertising arm.

The referendums can only be postponed if parliament is dissolved and general elections are held before June 11. According to constitutional practice, at least 45 days must elapse between the dissolution of parliament and the staging of general elections. This means that President Oscar Luigi Scalfaro would have to dissolve Italy's legislature by mid-April.

The avoidance of a pre-summer general election could have two significant consequences. First, it would encourage the trade unions to conclude negotiations quickly on the reform of Italy's costly state pensions system. These negotiations have already reached an advanced stage.

Second, it would allow the prime minister, Mr Lamberto Dini, time to draw up the framework for – if not the substance of – the 1996 budget. This, coupled with pension reform approval, would provide solid evidence to the financial markets that Italy's public finances were finally being tackled with sound structural measures.

However, Mr Dini's majority is still precarious, especially since the loose alliance of centre-left parties – which ensured he narrowly survived the confidence vote on his mini-budget earlier this month – is changing. The centrist Popular Party (PPI) has split, with 7-10 deputies moving to the right-wing camp of Mr Berlusconi. The split has caused chaos in the preparation of the lists of candidates for the forthcoming regional and local elections, so much so that the government had to postpone yesterday's deadline until tomorrow.

Bundestag likely to support budget

By Judy Dempsey in Bonn

Germany's 1995 budget plans are likely to be approved by a narrow margin in the lower house of parliament this week, but the government's fiscal headaches will not be over.

The expected passage of the budget in its second and final reading in the Bundestag today and tomorrow will lift the political fortunes of Mr Theo Waigel, the finance minister, who has been under fire from the Social Democrat opposition over sharp tax increases to contain the budget deficit.

The centre-right coalition's 10-seat majority in the Bundestag will probably be enough to secure the budget law's passage there. But the government will have a tough time pushing it through the Bundesrat, the upper house, which is dominated by the SPD and whose vote is required to make the budget legally binding.

The SPD is criticising this year's budget above all on the grounds that taxes and government levies will exceed 45 per cent of gross domestic product this year, well up from 40 per cent before Germany was reunited in 1990.

SPD deputies are also likely to take aim at the volume of public debt, which reached DM1,860bn ($1,338bn), 56 per cent of GDP, at the beginning of 1995. This debt includes the liabilities taken over by the Redemption Fund for Inherited Liabilities, a new subsidiary budget included in the federal government budget.

This fund includes the debts of the former Treuhand privatisation agency, which amount to DM205bn, as well as the former Debt-Processing Fund, which managed former East German debt inherited from unification, totalling DM103bn.

The debt of Germany's central, regional and local authorities last year totalled DM1,655bn, 50 per cent of GDP.

Despite criticisms this week in the Bundestag, Mr Waigel has defended the final draft of this year's budget on the grounds that the deficit, at 2.5 per cent of GDP, is under control, inflation is 2.3 per cent, the economy is expected to grow by 3 per cent in 1995, and unemployment will fall slightly. This year's federal budget will have a deficit of DM48.7bn on expenditure of DM477.68bn, DM6.4bn more the previous year.

One of Mr Waigel's biggest problems is the growing total of interest payments on federal government debt, accounting for about 20 per cent of total spending in 1995, compared to 11 per cent in 1989, when federal government spending amounted to DM290bn.

To keep the federal deficit within reasonable limits, Mr Waigel has introduced social spending cuts and also imposed several new taxes. These taxes included the re-introduction of the so-called Solidarity surcharge to help finance the costs of reunification. This levy is expected to have contributed DM28bn in additional revenues for the government.

The government also had to make up for the shortfall in revenue caused by surrendering a larger proportion of turnover tax revenue to the regional governments. This has meant a loss of revenue of about DM16.6bn. Mr Waigel said the shortfall would be made up by DM7bn expected from privatisation receipts and savings from a reduction in unemployment benefits.

Germany's excessive tax levels must be cut quickly if the economic upturn is not to be halted prematurely, said Mr Ulrich Cartellieri, a director of Deutsche Bank, *writes Andrew Fisher in Frankfurt*.

Mr Cartellieri welcomed government plans to cut state spending as a percentage of GNP from above 50 per cent to 46 per cent or less but said a clear schedule and a concrete policy of lower spending were now needed. "The will to work hard, invest and accept risks is threatened with collapse under the burden of a 45 per cent deduction [tax and other levies] rate."

Mr Cartellieri's calls for tougher government action were linked with a pessimistic assessment of the impact on exporters of the rising D-Mark.

Balladur hopes for boost from new jobs figures

By David Buchan in Paris

Mr Edouard Balladur's campaign managers are hoping that news of a fall in unemployment last month, due to come in official figures released today, will help pull the prime minister up from third place in the presidential race.

Unable to contain his pleasure at some good economic news to offset today's wave of transport strikes, one pro-Balladur minister partially leaked the February job figures, claiming a reduction in the jobless figure of "between 10,000 and 15,000" last month.

After peaking at a figure of 12.7 per cent last September, the unemployment rate appears to be slowly, but steadily declining.

Most recent opinion polls have shown the frontrunner, Mr Jacques Chirac, falling back slightly, and Mr Balladur gaining marginally on Mr Lionel Jospin, the Socialist whom most surveys put in second place.

Only the two top scorers in the first round of voting on April 23 go through to the run-off on May 7.

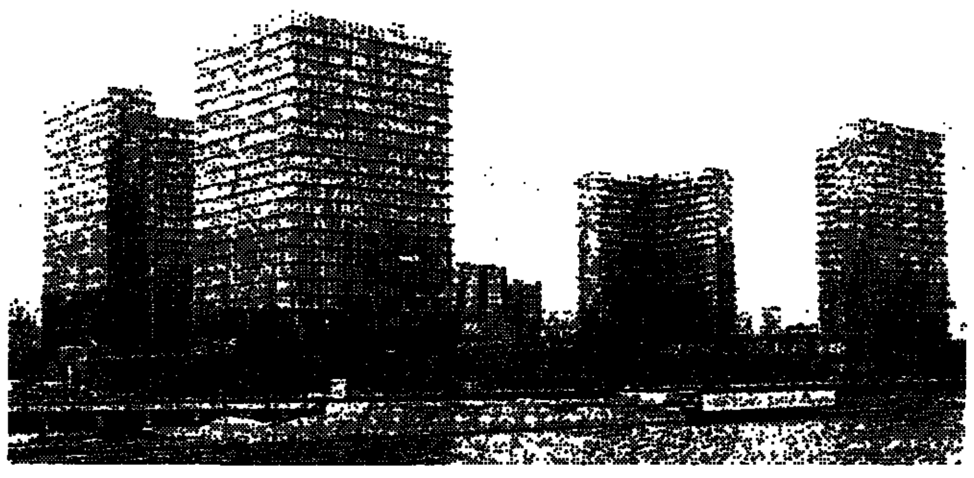
Mr Jospin yesterday wrote to his two Gaullist rivals to propose a three-way presidential debate, a call seconded again by Mr Balladur, who as late as mid-February, when he himself still appeared to lead the pack, disdained any such debate before the first-round vote. Likewise, Mr Chirac, a champion of open debate when his campaign was languishing badly, yesterday remained silent on Mr Jospin's request.

But Mr Jospin did get a fillip yesterday from the OFCE economic research institute. It calculated that the Socialist candidate's call for the regular French working week to be shortened from 39 to 37 hours by 1997 would reduce unemployment by 170,000-200,000 a year in 1996 and 1997, compared with a reduction of only 50,000 a year if current policies were continued.

With the pick-up in the economy, however, the issue of pay increases seems to be supplanting that of unemployment in the public mind.

All three main candidates are reacting to a wave of pay demands in the private as well as the public sector by saying that French workers now deserve some reward for their past restraint. A spokesman for Mr Balladur, who had been the most reticent on this issue, said yesterday that current pay demands simply reflected the restored health of the economy.

In fact, only one of today's strikes – involving the Paris Metro – revolves around pay. SNCF railway employees are protesting at attempts to change their status and working practices, while staff of Air Inter, part of the Air France group, are more worried about the impact of European liberalisation.



Mitterrand to open Paris's *très grande bibliothèque*

President François Mitterrand will today officially open the last and most expensive of his grand public projects, only weeks before his term in the Elysée Palace comes to an end, Andrew Jack writes from Paris. More than seven years after Mr Mitterrand approved the idea of "a very large library of an entirely new sort", the Bibliothèque Nationale de France (above) stands ready for occupation.

The new site with its stark four office towers – shaped in the style of four open books – along the River Seine towards the south-eastern edge of Paris continues the long tradition of ambitious French projects blessed by presidents.

The *très grande bibliothèque* as it has been nicknamed, is said to be Mr Mitterrand's favourite. It is certainly most costly, with total construction bills expected to run to about FFr8bn (£980m) and some estimates suggesting annual running costs will exceed FFr1bn.

Although Mr Dominique Perrault, the architect, handed over the keys to the head of the library last week, there is still a long wait ahead for members of the public wishing to use the library. It will take two more years to complete the move to the new site; the library is scheduled to open to the public in early 1997. Hence the satirical weekly Canard Enchainé's new nickname: *très virtuelle bibliothèque*. Picture: AP

Le Pen looks to role as French power-broker

Far-right leaders cannot win the election but their supporters' votes may be crucial, writes **John Ridding**

Amid the swings and upheavals in opinion polls for the French presidential election, there has been one constant. The candidates to the far right of the political spectrum – the extremist Mr Jean-Marie Le Pen, the leader of the National Front, and the more moderate Mr Philippe de Villiers – appear set to capture almost 20 per cent of the votes in the first round of the election on April 23.

Neither has any realistic chance of making it to the decisive second-round run-off on May 7. But the level of support promises a role as power-brokers for Mr Le Pen and his younger rival. More broadly, their standing in the polls demonstrates the degree of anxiety about issues ranging from immigration to European integration and illustrates the continued strength of the far right constituency.

"In recent years France has had the biggest and most enduring support for the far right among European nations," says Mr Pascal Perrineau, director of French political studies at Science Po, the research institute. The explanation, he believes, is largely to be found in France's failure to assimilate immigrants and the steady rise in unemployment which has left more than 12 per cent of the workforce without a job.

Mr Le Pen, who has campaigned for the two previous presidential elections, has built a bedrock of support on such issues. His policies of repatriation for non-European immigrants and a protectionist response to unemployment have garnered about 10 per cent of the votes in recent regional and national elections. He has capitalised on fears of a flood of refugees from Algeria and on the fact that unemployment has still not benefited from the recovery in the economy. In spite of such ugly incidents as the death of a student in an alleged racist clash with National Front supporters, his support has risen to more than 12 per cent.

Mr Le Pen has faced obstacles. "I am going through a difficult patch," he said on Tuesday, referring to his struggle to obtain the backing of 500 elected officials as required by candidates before the April 4 deadline. After a visit to check on the tally at the constitutional council, however, he said the target had been met.

Mr Le Pen claims that his problems were due partly to Mr de Villiers, who, along with Mr Robert Hue, the communist leader, threatened to publish the names of the National Front's supporters. But the aristocratic Mr de Villiers, a dissident from the Republican party – full name, Philippe le Jolis de Villiers de Saintignon – has problems of his own.

His new Movement for France lacks an established structure. A more serious problem is that he finds himself sandwiched between Mr Le Pen and Mr Jacques Chirac, the Gaullist frontrunner in the contest to succeed President François Mitterrand. Although taking many of the same lines as the National Front leader on issues from immigration to corruption, he generally takes a more moderate stand. He rejects, for example, the repatriation of immigrants.

His main bugbear, by contrast, is European integration. "We must return to a Europe of nations which defends our sovereignty and abolish this monstrous superstate," he told a recent rally.

During last June's European elections this proved an appealing message; he garnered an unexpected 12.3 per cent of the vote. But with Eurosceptics such as Mr Philippe Séguin, the president of the National Assembly, firmly in the Chirac camp, and with Mr Chirac himself ambiguous about European integration, Mr de Villiers has seen his support shrink to about 6 per cent of voting intentions.

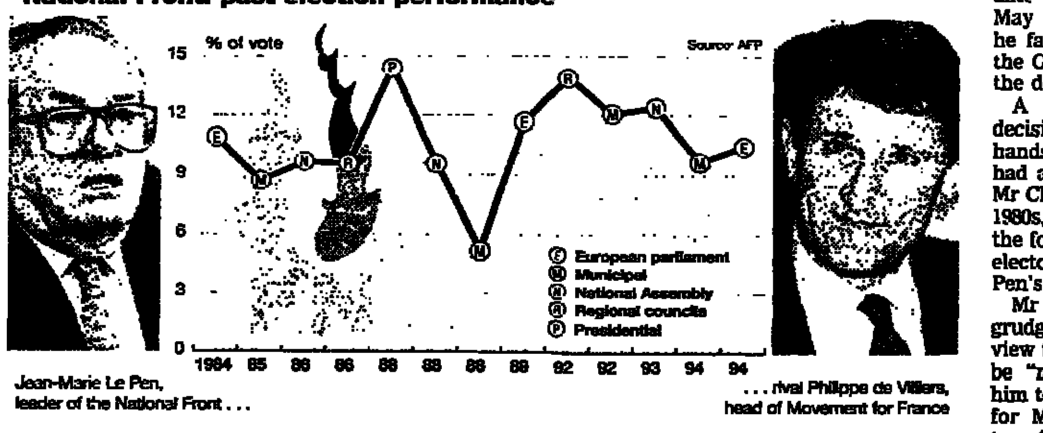
In a close contest, however, 6 per cent could prove critical. According to most observers, it would automatically be transferred to the rightwing candidate in a left-right run-off on May 7 or to Mr Chirac should he face Mr Edouard Balladur, the Gaullist prime minister, in the deciding vote.

A much more significant decision is likely to lie in the hands of Mr Le Pen. He has had a long personal feud with Mr Chirac, dating from the late 1980s, when the latter was at the forefront of moves to break electoral alliances with Mr Le Pen's supporters.

Mr Le Pen bears a serious grudge. In a television interview this week he said it would be "much more difficult" for him to vote for Mr Chirac than for Mr Balladur, should the two Gaullists face each other in the run-off. Neither should Mr Chirac take Mr Le Pen's support for granted should he be confronted by the Socialist Mr Lionel Jospin. "Le Pen could tell supporters to abstain or to deliver a blank ballot," says Mr Perrineau.

Mr Le Pen, however, has left himself room to manoeuvre. He says an important factor in his decision will be the stance of candidates towards proportional representation in general elections, a long-standing demand designed to provide the party with a significant presence in the National Assembly. It is a prospect that sends shudders through the mainstream parties. For that reason, and because of the risks of doing business with Mr Le Pen, they have so far resisted moves on the issue.

National Front: past election performance



Jean-Marie Le Pen, leader of the National Front . . .

. . . rival Philippe de Villiers, head of Movement for France

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EUROPEAN NEWS DIGEST

Astra sues on ulcer drug

The Swedish pharmaceuticals group Astra yesterday took legal action in Germany alleging that the German company Byk Gulden had infringed its patent rights for Losec, the ulcer treatment that is the world's second best-selling drug. Astra said Byk Gulden's product Pantoprazole, launched on the German market six months ago, was a copy of Losec, which is Astra's most important product, reaching sales of SKr17.2bn ($2.35bn) last year, including SKr2bn in Germany. The Swedish company said it understood Byk Gulden, a subsidiary of the industrial group Altana, was planning to launch Pantoprazole in most European markets over the next year. The product has already taken a 5 per cent market share in Germany, where Losec is defending a 27 per cent position. Astra said it would also sue Byk Gulden in South Africa, where Pantoprazole is also already on the market. *Hugh Carnegy, Stockholm*

Swedish currency tumbles

The Swedish krona tumbled to a new low against the D-Mark yesterday as pressure piled on the Social Democratic government to bring forward new measures to close the budget deficit and control the fast-growing public debt. The krona slipped to SKr5.32 against the D-Mark during the afternoon, a fall of 11 per cent since the beginning of the year, before regaining some ground to close at SKr5.29. Interest rates also continued to spiral upwards for a second day; yields on five-year government bonds climbed 23 points to 11.07 per cent.

Compounding the gloom, the Stockholm stock exchange general index fell by 1.28 per cent. Sweden was hit hard by the turbulence on international markets earlier this year and investors have continued to signal their lack of confidence that budget measures will be sufficient to halt the rise in the state debt, approaching 100 per cent of gross national product. *Hugh Carnegy, Stockholm*

Austrian finance minister quits

Mr Ferdinand Lacina, Austria's finance minister, is stepping down at the end of next week. The 52-year-old Social Democrat has held the post since 1986 and has been visibly worn out by the recent battle over the 1995 budget. Chancellor Franz Vranitzky said Mr Lacina would stay in office until parliament votes on the budget next Thursday. A positive vote is assured because the coalition of Social Democrats and Conservatives has a clear majority. An even tougher battle is likely over the 1996 budget, for which preparations will start within weeks.

Mr Lacina comes from the left of his party but has won the respect of the business community and financial markets for his sound fiscal policies. Among the possible candidates to replace him are Mr Viktor Klima, transport and state industries minister, and Mr Ewald Nowotny, economics spokesman for the Social Democrats in parliament. *Eric Frey, Vienna*

Gucci death financial probe

The investigation into the mysterious assassination of Maurizio Gucci, grandson of the founder of the famous leather-goods group of that name, is concentrating on clues in the businessman's financial dealings, especially in Switzerland. Mr Gucci was shot by a professional killer as he entered the building of his Milan office on Monday. Since then no trace has been found of the assassin and no one has come forward with a motive. However, Mr Carlo Nocerino, the investigating magistrate, who is a specialist in financial crimes, has indicated he is concentrating on the activities of Mr Gucci both before and just after he sold his 50 per cent stake in Gucci to Investcor, the Bahrain-based merchant bank, in 1989. The sum was never revealed but it is now believed to be considerably less than the $170m reported at the time.

Mr Gucci formed Viersee Italia, a tourism and leisure company, in Milan last year, and a Swiss offshoot is understood to have been registered in Lugano in January. Latterly Mr Gucci has reportedly been trying to form a group to operate a casino in the Swiss ski resort of St Moritz. The investigators are also looking into where he found some L35bn ($20m) to redeem his Gucci shares from two banks in order to be able to sell them to Investcor. *Robert Graham, Rome*

Russian rocket crashes

Russia's ambitions to convert its intercontinental missiles into commercial satellite launchers were dealt a severe blow yesterday when an SS-25 rocket carrying three satellites crashed into the sea 10 minutes after launch from Plesetsk in Russia's far east. The failure was blamed on a malfunction in the rocket's fifth stage. The rocket was carrying an Israeli communications satellite as well as two Russian devices.

It was the first time Russian scientists had tried to use an SS-25 rocket to launch commercial satellites in an attempt to win international business. Professor Giora Shaviv, head of the Asher Institute for Space Research, where the Israeli satellite was built, told local radio: "The Russian record with missiles of this type is one of the best in the world... I think this is mainly bad luck." *John Thornhill, Moscow*

Deutsche Telekom's new chief

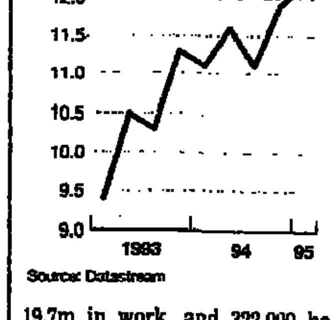
Mr Ron Sommer, head of Sony's European operations, was last night formally confirmed as chief executive of Deutsche Telekom, the world's third largest telecommunications operator. He won the unanimous support of the supervisory board, after an eight-hour discussion. Mr Sommer, an Israeli-born mathematician, has been with Sony since 1980.

Deutsche Telekom yesterday also formally submitted its bid for a 27 per cent stake in SPT Telecom, the Czech carrier which is being privatised. The German company is working with Ameritech, the US carrier, and is hoping to repeat the success it had in 1993 when the two companies together took a 30 per cent stake in Matav, the Hungarian operator. *Michael Lindemann, Bonn*

ECONOMIC WATCH

More out of work in Italy

Italy



Source: Datastream

The number of Italy's jobless rose in January to 12.1 per cent of the workforce, the total figure being a 1.6 per cent increase on the same period in 1994, according to figures from Istat, the national statistics office. Italy's unemployment level is appraoching double the 7.5 per cent average for OECD countries. The rise occurred despite an economy now growing at more than 3 per cent a year and reflects the reluctance of all sectors to increase payrolls. Istat's figures, based on a new series using the 1991 census, show 19.7m in work, and 322,000 having lost their jobs over the previous year. The most disturbing trend is the accelerating difference between the number of jobless in the north and south. Over the past 12 months levels in the north increased only marginally from 7 per cent to 7.2 per cent. In the centre, the figures again showed relative stability, rising from 9.3 per cent to 10.4 per cent. But in the south there was a jump from 18.5 to 21.1 per cent. The difference was emphasised in youth unemployment and first-time job-seekers. In the south the proportion increased from 50.2 per cent to 54.7 per cent of the active population; while in the north it fell slightly to 20.9 per cent. Overall youth unemployment swelled from 32.1 per cent to 34.3 per cent of the workforce. *Robert Graham, Rome*

■ Belgium's year-to-year inflation was a preliminary 1.74 per cent in March, compared with 1.82 per cent in February. The consumer price index rose by 0.01 per cent over the month.

Croat economy emerges from the ruins

Anthony Robinson and **Laura Silber** on the signs of recovery after three years of war

For most of the past year the currencies of bitter rivals Croatia and Serbia enjoyed an unexpected but welcome stability. Both countries abolished hyper-inflation, virtually overnight and by similar methods of monetary rectitude, at the end of 1993.

For citizens of both countries it was the first breath of stability after three years of war preceded by a decade of overall economic stagnation. But while in Serbia inflation peaked at 1m per cent *a month* by the end of 1993, neighbouring Croatia "only" had to cope with a peak of just over 1,100 per cent *annually* when the Croatian government's stabilisation policy got under way in October 1993.

This week, however, the two currencies started to diverge again as the Serbian dinar, which is officially pegged at parity with the D-Mark, plummeted on the black market to a low of 4.5 dinars, before recovering to 2.2. The authorities recently introduced draconian penalties on black market currency trading to try to force Serbs back to official channels.

The Croatian kuna, meanwhile, appreciated against all currencies, including the strengthening D-Mark last year, and has continued to rise against the dollar and other currencies this year. As for internal purchasing power, the consumer price index actually fell by 3 per cent last year and inflation is expected to remain within the 2-4 per cent range this year.

The central bank remains confident that tight control on government spending and the money supply will keep inflation subdued, even though an export-led recovery in industrial production and higher tourism and other invisible earnings are expected to boost overall gross domestic product growth to 7 per cent, barring political accidents and a resurgence of fighting.

Exports last year rose 9 per cent to $4.3bn while imports rose 12 per cent to $5.2bn. Despite the virtual absence of foreign tourists along much of the vulnerable Dalmatian coast, Italians, Germans and Austrians in the main have returned to Istria, far from the danger of renewed fighting. This has ensured a reduced but still substantial flow of tourist dollars. An estimated $1.4bn from tourism last year helped the current account surplus reach $103m while the capital account surplus doubled to $566m.

Although the Croatian government does not publicise the fact, the much-maligned UN peacekeeping force, with 12,000 troops in Croatia and headquarters in Zagreb, contributed the equivalent of 9 per cent of the $12bn GDP last year.

Last week, Croatia took another step toward normalising its financial relations by reaching agreement with the Paris Club of official creditors for a 14-year rescheduling of its $860m debt. No debt reduction was achieved, but creditors conceded a two-year grace period and a graduated repayment schedule which will keep the burden low in the first few years. Preliminary contacts have also begun with the London Club of commercial bank creditors on rescheduling an estimated $1bn outstanding debt, plus interest arrears.

Mr Marko Skreb, head of the research department at the National Bank of Croatia, cautions, however, that macroeconomic stabilisation and the resumption of economic growth does not mean that Croatia is out of the economic woods. He quotes approvingly Mr Karl Schiller, the former German economics minister, who once said, *a propos* of the German economy, that "stability is not everything, but without stability everything is nothing".

This year Croatia must start microeconomic restructuring of enterprises and the financial sector and push ahead with privatisation which has hardly begun. Only a growing economy can resolve the problems caused by war and the legacy of the communist past, he says.

For, despite the superficial gloss of Zagreb, the independent country's elegant and partially refurbished capital, the past few years have seen a dramatic lowering of living standards for most of the 4.5m Croats living in a country where one third of the territory is still held by Serb forces.

"Real incomes rose strongly last year as a result of stabilisation but the GDP is still 63 per cent of 1990 levels and industrial production has dropped by a half over this period," he says.

General impoverishment has been accompanied by a widening of income differentials between low-paid workers, the more than 250,000 unemployed and 800,000 pensioners, and the "new class" of ostentatious traders and "war lords". At the same time incomes of the middle and professional classes have been severely squeezed, leading to a damaging haemorrhage of trained and educated people and a deterioration in health, education and other standards.

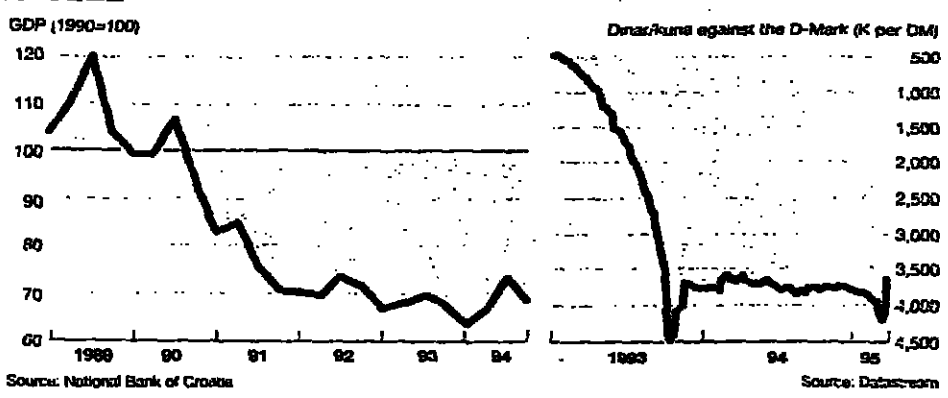
"None of these problems can be solved by redistribution of existing levels of output. We have to create the conditions for sustained economic growth," he adds.

The normalisation of Croatia's external financial relations began with last year's agreement on a new IMF standby loan obliging the government to maintain the tight fiscal policies which have kept the budget deficit at minimal levels of around 0.5 per cent of GDP, and to impose hard budget restraints on still mainly publicly owned enterprises.

The IMF put specific credit limits on 19 of the biggest loss-making enterprises, including the INA petrochemical group, the railways, the highways corporation and a string of often highly polluting as well as inefficient cement, engineering and metallurgical plants.

Many of these are prime targets for shrinking or possible closure once the long delayed privatisation programme gets into its stride. Whether the government will have the courage to press ahead with the painful structural reforms needed remains to be seen.

Croatia



Source: National Bank of Croatia

Source: Datastream

UN envoy hits out at Moslems

Mr Yasushi Akashi, the top United Nations official in former Yugoslavia, yesterday strongly criticised the Moslem-led Bosnian government for launching the sustained offensive which has derailed a country-wide ceasefire, writes Laura Silber in Belgrade. He said a lack of co-operation "by all sides, but especially the government side, underscores the need for the immediate return to the peace process to prevent a further deterioration in the situation. "The parties to the conflict.... appear determined to plunge Bosnia into a new war with incalculable consequences for the region as a whole."

His remarks come as UN operations face close scrutiny. The mandate formally expires tomorrow for the UN force in Croatia, where Croatian Serbs in 1991 took up arms against Zagreb, carving out their own state on nearly a third of Croatian land.

Croatia has stepped back from its earlier threats to order the force out, but so far there has been no agreement on a new mandate. On Tuesday night the Croatian parliament said the new UN force must include Croatia in its name and also recognise Croatia in its international borders. The UN Security Council later this week will consider the new mandate, which will cut by about half the 12,000 troops currently deployed in Serb-held regions of Croatia and along the more than 1,000km of front lines.

The Bosnian ceasefire, which came into effect three months ago and is due to expire on April 30, continued to unravel yesterday. Mr Radovan Karadzic, Bosnian Serb leader, warned that his military, which already controls 70 per cent of Bosnia, would decide the republic's future borders unless a political settlement was brokered soon.

Bosnian government and Serb forces yesterday fought for the tenth day running in north-eastern and central Bosnia. On Mount Vlasic, north of the government-stronghold of Travnik in central Bosnia, Serb forces were reported to have encircled their Moslem foes who earlier this week captured the local transmitter. By contrast, Bosnian government forces claimed to have gained ground in the north-east, near Mount Majevica – but Serbs still held the radio and television relay.

Germany blocks supplies for Turks

By Judy Dempsey in Bonn and John Barham in Istanbul

The German government, increasingly critical of Turkey's continuing occupation of northern Iraq, yesterday announced it would suspend further military deliveries.

The decision follows President Süleyman Demirel's remark – subsequently retracted – that operations in northern Iraq against Kurdish militants might last for more than a year.

Mr Klaus Kinkel, the German foreign minister, yesterday confirmed he would also suspend DM150m ($106m) of subsidies for the building of two Turkish frigates by a German consortium.

The military deliveries consist of a substantial amount of spare parts and surveillance materials. They form part of a military co-operation agreement between Bonn and Ankara which ended in 1992. However, the deliveries were due to continue until Bonn's obligations had been met.

Turkey yesterday dismissed calls from Germany, its closest ally in Europe, to cease its military incursion. Instead, officials said Mr Erdal Inönü, its foreign minister, would tour western capitals to explain the operation's objectives.

Contradictory statements by Turkish officials have worsened the confusion surrounding Ankara's real objectives in northern Iraq and the duration of its presence there.

On Monday, in a newspaper interview, Mrs Tansu Çiller, the prime minister, told critical western governments "I would withdraw in an hour but only on one condition: bring your troops to the region and give me border security."

Yesterday, Mr Kinkel responded: "Turkey has to pull out immediately. The United Nations will have to get massively involved with [Turkey's problem] and we will have clear which countries, should it come to it, would be prepared to send ground troops to control a buffer zone in north Iraq."

However, Mr Ferhat Ataman, a Turkish foreign ministry spokesman, said: "Foreign troops would not contribute to a solution. Our position is well known: we will withdraw as soon as possible." Turkish commanders say withdrawal would only come after Kurdistan Workers party guerrillas had been flushed from bases in northern Iraq, but give no time frame.

On the suspension of the frigates' subsidy Mr Ataman said: "Under the contract, the [frigate] project can work only if the German grant is realised. It is worth thinking about how the suspension of the grant could affect the overall project.

The amount involved should not be a negligible resource for the German armaments industry. This has been Turkey's contribution to the German economy."

Minister quits in Greek tax dispute

By Kerin Hope in Athens

The Greek public order minister resigned yesterday amid mounting protests by farmers and small businesses against the Socialist government's latest attempt to reduce tax evasion.

Mr Stelios Papathemelis stepped down after refusing to order riot police to clear roads and railway lines blocked by farmers who object to filing income tax declarations under a new tax law, according to public order ministry officials.

The farmers have closed off Greece's main north-south highway in Thessaly with tractors and farm equipment for most of the past 10 days. They are demanding exemption from the new system which computes minimum earnings on acreage and receipts from European Union crop subsidies rather than declared income.

The blockade has trapped hundreds of trucks and is starting to cause shortages of fresh meat and consumer goods in provincial towns.

Nightly television footage of farmers burning tyres to keep angry truck drivers at bay has added a dramatic touch to the finance ministry's campaign to curb the underground economy, estimated to exceed 30 per cent of gross domestic product.

The tax protests yesterday extended to Athens where many shops and small businesses closed. The protesters claim the finance ministry has underestimated the effects of three years of recession on retailing and services, setting the minimum tax requirement at levels that threaten to drive them out of business.

Despite the confrontation, Mr Andreas Papandreou, the prime minister, yesterday signalled the government would not make concessions on tax policy, saying the farmers "have no right to interrupt communications or damage the economy".

However, the Socialists have accepted a demand for cheaper petrol for agricultural use and are committed to increasing farmers' pensions from next month.

Greece's farmers wield considerable political influence, making up about 20 per cent of the workforce. The Socialists are particularly sensitive to their demands as votes from the countryside provide the basis of their support.

Farmers have traditionally been exempt from direct taxation as farming provided little cash income before Greece joined the European Union. But with EU transfers for crop support prices amounting to more than 2 per cent of GDP, agricultural incomes have soared in the past decade.

The finance ministry included farmers in the tax net for the first time this year as part of a drive to broaden the tax base and increase revenues from direct taxation by almost 30 per cent.

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Mexico's sweet deal for troubled banks

Leslie Crawford details rescue plans for a troubled sector after an alarming rise in defaults on loans

The Mexican authorities are finalising details of a rescue plan for the country's troubled commercial banks whose solvency is being jeopardised by an alarming increase in loan defaults as a result of a four-fold rise in nominal interest rates since the devaluation of the peso in December.

The banking sector was already burdened with an uncomfortable level of bad debts – 7.33 per cent of its total loan portfolio – before the collapse of the peso plunged the economy into recession.

Although no figures have been published since December, banking analysts estimate that problem loans have doubled, as neither companies nor individuals have the cash to meet the big rise in interest charges. With monthly inflation accelerating to an estimated 6 per cent in March, Mexico's volatile financial markets pushed interbank rates to 114 per cent earlier this month, although they have since eased to around 90 per cent.

The lifebuoy being extended by the finance ministry and central bank will allow commercial banks to remove some 83bn pesos of non-performing assets from their balance sheets – an amount equal to 14 per cent of the banking system's total loans.

The problem loans will be recalculated in a new financial instrument, known as Units of Investment (*unidades de inversión*, or UDIs), which will index debt principal to inflation and carry real interest rates of up to 12 per cent.

The restructured loans will bring an immediate reduction in interest charges, thereby diminishing the risk of default.

Commercial banks are to set up special off-balance trusts to administer the UDI-denominated loans. These will issue long-term UDI bonds, to be purchased by the central bank, to finance the trusts. The outflow of money to commercial banks will in turn be neutralised by the purchase of government bonds, which will replace the problem loans in the assets of commercial banks.

Finance officials admit the government will be subsidising the trusts in the first years of operation, as the nominal yields it will be paying on government securities will be far greater than the income it receives from the UDI-denominated commercial bank bonds. As the economy stabilises, they expect nominal and real interest rates to converge.

Bankers have embraced the scheme with relief and hope to have the trusts up and running next week. Already, they are thinking of extending the programme to mortgages and dollar-denominated loans. Mr José Madariaga, head of Mexico's Bankers' Association, says similar plans could be implemented to restructure some 30bn pesos of home loans and $5bn of corporate dollar debts.

Critics say the scheme will create two kinds of debtor

"This is the most critical element of the government's economic adjustment programme," says Mr Felix Boni of the Mexican brokerage Interacciones. "It has some potential inflationary effects, but it is well worth the risk."

Mr Paulo Leme, an economist with Goldman Sachs, says: "It is a programme that ensures the central bank's tight monetary policy, in an environment of high inflation and recession, will not bankrupt the financial system. It is a sweet deal for the banks."

However, Mr Leme warns UDIs are a double-edged sword. Indexation helps prevent the erosion of savings and maintain the real value of debt principal. "But if inflation does not drop quickly," he says, "there will be the temptation to index all financial contracts, which might speed the economy from high into hyper-inflation."

Critics of the new scheme argue it will create two kinds of debtors: a lucky few who will qualify for interest relief, and the vast majority who will continue to struggle with nominal interest charges of 90 per cent or more.

"The restructuring plan does not go far enough," says Mr Isaac Katz, an economics professor at the Autonomous Institute of Technology of Mexico. "It does not address the inefficiencies of the banking sector. Bank charges are five times those of comparable US banks. Intermediation margins were high before devaluation. Now they are positively immoral. If the banks were prepared to lower their margins, it would provide some relief for the majority of debtors who will be left out of the restructuring plan."

Bankers say they cannot restructure all loans because it will take time to convince depositors to convert their savings into UDIs. With confidence in the Mexican currency shattered by the devaluation, investors have been reluctant to accept any kind of long-term, peso-denominated instruments needed to match loans restructured in UDIs.

Bancomer, Mexico's second-largest bank, says it plans to ration restructured credits to 10m pesos per debtor in order to spread the benefits of the scheme to the greatest number of customers. "We will not confine the plan to problem loans," says Mr Ricardo Guajardo, Bancomer's chief executive. "It is important to support customers who are creditworthy and who have remained current with repayments."

While banks will continue to suffer the effects of a deepening recession, Mr Guajardo believes the worst of Mexico's financial crisis is over. He expects the exchange rate, interest rates and stock market to stabilise as Mexico's external accounts improve. "The light at the end of the tunnel," says Mr Guajardo, "is a sound macro-economic programme."

Argentina sets up $2.5bn bank fund

By David Pilling in Buenos Aires

Argentina has moved to shore up its private banking sector with the creation of a $2.5bn trust fund to inject liquidity into the financial system and to encourage the takeover of struggling institutions.

The so-called "fiduciary fund for bank capitalisation," which is separate from a $1.5bn fund for public sector institutions, will be used to buy negotiable obligations issued by banks. The fund is due to be constituted mainly by proceeds from a $2bn "patriotic" bond issue, the external tranche of which is currently being negotiated with banks in Europe, Japan and the US.

"The principal aim is to provide capital to banks which wish to take over other institutions or for banks which want to improve their capital situation by taking longer-term funds," said Mr Nicolas Grose-Hodge, manager of Lloyds Bank Argentina.

Mr Grose-Hodge denied the government was in danger of sending cash into a "black hole," saying the fund would instead help to ensure the ordered contraction of the financial system.

The fund is to be run by Mr Roque Maccarone, secretary of finance and banking.

Mr Domingo Cavallo, economy minister, said yesterday in London he was confident that foreign banks would subscribe to the Argentine bond, which was "effectively collateralised" in that it could be used to pay Argentine taxes.

Although the bond is to be sold at a considerably lower coupon (3 points above Libor) than other Argentine debt paper, backers claim it will have a strong secondary market.

● Argentine prices fell 0.1 per cent in March, according to provisional estimates. This would be the first month of falling prices since 1974.

Republican tax cut may miss target

By Jurek Martin in Washington

Any tax cut that emerges from the Republican-controlled US Congress is likely to be much less than the $189bn (£117bn) proposed in the Contract with America and due to come to a vote next week in the House of Representatives.

Congressman Newt Gingrich, the Speaker, conceded on Tuesday that the leadership's tax bill was "in some trouble". There is a possibility it may not even get to the floor for a vote if Republican dissidents join the Democrats to oppose the rule under which it is to be debated. This would have the effect of returning the bill to the ways and means committee for redrafting.

The retreat from tax-cutting and the emphasis on reducing the budget deficit now affects both parties. Congressman Richard Gephardt, the minority leader, yesterday dropped his $75bn proposal and replaced it with a $30bn five-year alternative focused on education.

Reflecting the even greater caution of the Senate, Mr Pete Domenici, the budget committee chairman, said he would produce a plan to balance the federal budget over the next seven years without any significant tax cuts. Senator Bob Packwood, finance committee chairman, has already insisted that deficit reduction must take priority.

Mr Domenici emphasised his conviction that the budget could be balanced mainly by restraining the growth of entitlement programmes. He suggested, for example, that the annual expansion in Medicare spending could be reduced from the current 10 per cent to 6-7 per cent.

But several leading conservative senators, including Mr Phil Gramm of Texas and Mr Trent Lott of Mississippi, announced they would propose a tax bill along the lines of the Contract, if not quite as large. Senator Bob Dole, the majority leader, also said: "We're not backing away from tax cuts."

In practice, there will undoubtedly be some tax reductions this year. The bottom line for most Republicans, moderates and conservatives alike, is that they should exceed the $63bn family tax credit plan already proposed by President Bill Clinton. Some Republican pragmatists argue that a $100bn sum has a nice, round feel to it.

But the composition, as well as the size, of the tax bill is liable to be much changed from the Contract blueprint. There is already a budding feeling among House Republicans that the leadership's family tax credit proposal is too costly and too tilted to the well-off, but more of a party consensus in both chambers that some form of capital gains tax cut should be preserved.

The fate of the tax bill could have some bearing on Mr Gingrich's plan to go on national television tomorrow week to tout the achievements of the congressional Republican majority's first 100 days. The main commercial networks have not yet responded to his unusual request for prime time, a privilege normally granted only to presidents.

Clinton: cuts may exceed $63bn family tax credit plan Reuter

Courts press states on voter law

By George Graham in Washington

The Clinton administration has won another round in its efforts to compel the states to make it easier for people to register to vote.

A federal judge in Chicago told the state of Illinois that it must comply with the "motor voter" law, which requires states to allow their citizens to register to vote on the same form they use to get a new driver's licence, or when signing up for welfare benefits.

The Justice Department has already won a court order requiring California to comply with the law, which was passed in 1993 but took effect at the start of this year, and has cases pending against South Carolina and Pennsylvania.

All four states have Republican governors, and Republicans in Congress opposed the law. They claimed it would increase election fraud, and said the federal government had no right to impose the rules on states unless it paid for the cost of complying.

But privately some senior Republicans admitted they feared easier registration would help the Democrats.

Early results from states which have implemented motor voter rules suggest, however, that more Republicans and independents than expected are taking advantage of the new system.

In states where voters are required to sign up for a party in order to take part in primary ballots, the percentage choosing to register independent is running well above usual trends, according to an Associated Press survey of 27 states implementing the law.

Overall, registration appears to have been particularly heavy in areas where the Republicans are traditionally strong.

The AP survey showed the law seems to be achieving its goal of increasing voter registration. Registration has been sharply higher in January and February in a year with no major elections scheduled.

"We think it's doing pretty good," said Mr Will Burns, co-ordinator of elections in Tennessee, who has counted about 36,000 new registrations in the first two months of the year across the state, well above normal.

Although many states have made it easier to register in recent years, to register, for instance by allowing voters to send in a registration post card, the process remains more difficult than in most other democracies. An estimated 70m US citizens of voting age are not registered.

But political scientists warn that it remains to be seen whether those who take advantage of easier registration will be motivated enough to vote in the next elections.

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Reduction in tension with Guatemala has enabled the 1,200-strong force to quit, writes **Canute James**

UK troop pull-out leaves a hole in Belize economy

On a lawn at Belize's international airport sits a well preserved shell of a Harrier fighter jet.

That the warplane is now a museum piece is a mixed blessing for the small Central American country. Neighbouring Guatemala is no longer threatening to invade Belize to pursue a long-standing territorial claim on the former British colony.

With a reduction in tension, a 1,200 member British garrison which was stationed in Belize to deter Guatemala, has left. But the dismantling of the garrison has left a large and painful hole in the Belizean economy.

"The withdrawal of the British forces has had a very adverse impact on the economy," explains Mr Keith Arnold, governor of the central bank. The garrison was a source of foreign currency, and local business benefited from contracts for provisioning and from personal spending by the soldiers. "The presence of the forces contributed about B$70m ($35m) per year to the economy, representing about 4 per cent of our gross domestic product."

Such a loss could not have come at a worse time for Belize. It coincides with a difficult period for the once buoyant economy, with growth last year falling to 1.6 per cent, following expansion of 3.5 per cent in 1993 and 9.2 per cent in 1992.

Earnings from the main export commodities, sugar, citrus and bananas, were hit last year by lower prices and reduced access to some preferential markets. Tourism has emerged as a valuable and rapidly growing sector.

The problems have been compounded by fiscal imprudence. The government has had to borrow heavily from the central bank and this crowded out the private sector.

A weak tax administration which allows extensive evasion has contributed to a fiscal deficit which will reach about B$40m this year.

While conceding that the pullout of British troops has damaged the economy, the political opposition argues that the decline started with the change of government in the middle of 1993 when the incumbent People's United Party was defeated in an election called 18 months before it was due.

"For the first time since the early 1980s there is a fiscal deficit," says Mr Said Musa, deputy leader of the PUP.

"This has been caused partly by a fall in investments after the government cancelled contracts and reduced public sector investment, because it felt the economy was overheating. It is an induced recession."

In an exchange of blame, Mr Manuel Esquivel, the prime minister, says his administration inherited an albatross in the form of a government commitment to civil servants to increase their wages by 10 per cent per year for three years, well in excess of inflation which was 2 per cent last year.

"I have told the trade unions that we want to review this because it is pressuring the economy," says Mr Esquivel. The government has asked for a freeze of civil servants' wages, but the Unions have not been accommodating. "This is nothing less than a wages cut since it would reduce the workers' buying power," says Mr Hubert Enriquez, president of the Public Service Union.

Getting out of this quagmire will depend as much on a change in fortunes for commodity exports, as it will on new efforts by the government to broaden the base of the economy.

It is hoping that the nascent financial services sector will become a strong leg of the economy.

There is also hope for increased earnings from a controversial economic citizenship programme, under which passports are sold to foreigners who agree to spend a sizeable sum in Belize.

"The financial services sector and the economic citizenship programme are expected to help, but the answer to the immediate problem is really in cutting government expenditure and subsidies and improving the tax administration," says Mr Arnold.

There is concern in Belize over the possibility that the territorial claim could be revived and actively pursued by the traditionally bellicose right wing in Guatemala.

Mr Esquivel is worried at the possibility that Gen Rios Montt, a known conservative and a hawk on the territorial dispute, could be elected president of Guatemala.

In the absence of the British garrison, protecting Belize in the event of renewed threats from Guatemala will fall to the poorly-equipped and undermanned Belize Defence Force. National defence is also suffering from the weak state of the economy.

"We need another 100 people to get the BDF up to where we want it, but we have no money to employ more soldiers," says Mr Esquivel.

House sales decline by 14%

By Michael Prowse in Washington

A plunge in sales of new houses last month was yesterday seen as further evidence of moderating demand in credit-sensitive sectors of the US economy.

The Commerce Department said new home sales fell 14 per cent last month to a seasonally adjusted annual rate of 551,000, the lowest since April 1992. Figures for January were also revised down. New home sales are running 20 per cent lower than this time last year.

The decline was much greater than predicted by economists and affected all regions of the US. New home sales fell nearly 30 per cent in the west last month.

The housing figure is erratic on a monthly basis, particularly during winter months when seasonal adjustments are often suspect. However, it is consistent with a general pattern of weaker growth in interest-rate sensitive sectors of the economy.

The Federal Reserve this week opted not to raise short-term interest rates because it believes the economy is still adjusting to the 3 percentage point increase in rates since February last year.

Mr David Littmann, chief economist at Comercial Bank in Detroit, said recent data confirmed the economy was decelerating after hitting its peak growth rate for this business cycle last year.

He said the Fed seemed likely to achieve its planned "soft landing" but warned that if the growth of bank reserves – an aggregate controlled by the Fed – did not pick up soon, there was a risk of outright recession next year.

● President Bill Clinton said yesterday long-term interest rates were moderating and the White House was doing its best to keep them that way, Reuter reports from Atlanta.

"We're going to do our best to keep them that way to sustain growth," he said.

Conventional
wisdom says
the Maxima QX
doesn't exist

NEWS: WORLD TRADE

WTO dithers over disputes machinery

By Frances Williams in Geneva

The disputes settlement machinery of the World Trade Organisation, which began its work in January, has still to whirr into motion.

The WTO's disputes settlement body, meeting yesterday for the second time, has still not come up with an agreed code of ethics for those involved in arbitrating trade disputes. It has also extended the deadline for nominations to the WTO's appeals body by three weeks to Easter.

Meanwhile, decisions on establishing independent panels to investigate the first two complaints brought to the WTO were postponed to a special meeting of the disputes settlement body on April 10.

They concern a complaint from Singapore against Malaysian restrictions on petrochemicals imports, and Venezuelan complaint over US standards for "cleaner" petrol known as reformulated gasoline.

Last week Malaysia announced it was dropping its restrictive import licensing system for petrochemicals to which Singapore had objected. Singapore says it wants consultations with Kuala Lumpur on the new procedures before deciding whether to press ahead with a panel request.

Trade officials said yesterday that agreement was close on a code of ethical conduct for panel members, the appeals body and WTO staff working on dispute settlement. But final accord has been held up by disagreements over procedures for withdrawing panellists who flout ethical standards and the extent to which the code should apply to WTO staff handling disputes.

Developing countries are worried that too strict a requirement on staff to disclose possible conflicts of interest would prevent them advising on the merits of a proposed complaint, often the best legal opinion available to poor nations.

WTO members are also in the process of nominating candidates for a roster of independent panellists and for the seven-member appellate body. Up to now panellists have mostly been present and former trade diplomats, but the US has argued strongly for the inclusion of more panellists from outside, including non-governmental organisations.

Anxious to avoid even the slightest echo of the divisive contest for the WTO's top job, Mr Don Kenyon of Australia, chairman of the DSB, yesterday urged WTO members not to "sponsor" nominations for the seven-person body which is one of the WTO's most important innovations.

Mr Kenyon asked them simply to suggest names, enabling the final decision to be made on the basis of "personal and professional merit".

Still much to be resolved in desperately needed plans for Indonesian capital, writes **Manuela Saragosa**

Green signal for Jakarta rail network – delays expected

The daily peak-time journey by car from the southern residential areas of Jakarta to the central business district takes two hours. The publicly owned bus service used by the Indonesian capital's 10m people is slow, inefficient and overburdened.

So President Suharto's decision last month to press ahead with the construction of an overland light railway network and an underground system should come as a relief to the city's frustrated commuters.

Plans have been around for 20 years. But their completion has taken on added urgency as economic growth averaging 6 per cent a year in the past two decades has imposed huge demands on Jakarta's transport infrastructure.

As in many neighbouring countries, the government is looking for private-sector funding for the projects. Several companies have already expressed an interest, including Siemens of Germany, the UK's Taylor Woodrow Wilson, Japan's Hitachi and the Anglo-French joint venture GEC-Alsthom.

The government said construction of the underground railway should start next year with full services starting by 2000. But construction industry executives says this is optimistic.

But there are still many issues to resolve. The government has to determine whether the subway network will be completely underground or whether some sections will run overland. The ministry of communications says the project will cost $1.3bn but industry sources contend that if the entire railway is underground, the cost would rise to at least $3bn. International tenders for the subway will be invited in November.

Fares will be fixed by the government but industry executives say this would give them little control over pricing and, therefore, over project profitability

The underground railway plan envisages three lines. One will connect the south Jakarta shopping district, known as Blok M, to the northern part of town called Kota. Another will run exclusively in Jakarta's central business district, connecting the main thoroughfare known as Jalan Sudirman to Casablanca, an area with a high density of offices. The third line will run between two industrial suburbs on the city's extremities – Tangerang, in the west and Bekasi in the east.

The three lines would involve the construction of just over 55km of tracks of which 47km will be new and the remainder upgraded overland lines.

Officials at the ministry of communications, one of the many public institutions involved in the project, have said they would prefer the contract for the underground project to be awarded on a build, operate, transfer basis.

Fares will be fixed by the government but industry executives say this would give them little control over pricing and, therefore, project profitability. "You can't even start talking to banks for financing until this issue is sorted out," says an industry executive.

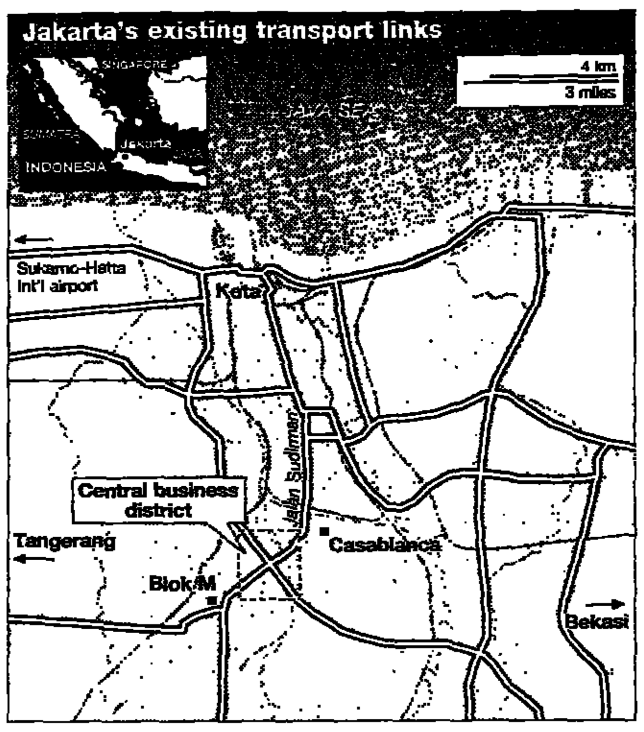
The precedents are not encouraging. The UK's Trafalgar House engineering conglomerate took seven years to finalise its contract with an Indonesian private-sector company for the construction of the second half of a toll road connecting Jakarta to the central Javanese town of Bandung. The toll rate was determined by the president and this factor alone lead to the delay.

Meanwhile, the contract for the $800m overland light-elevated railway system, the second component of President Suharto's recently announced transport initiative for the capital, has already been awarded to P T Citra Lamtorogung Persada, a company controlled by Ms Siti Hardiyanti Rukmana, President Suharto's eldest daughter. No tenders were invited. This is the latest in a series of large infrastructure contracts to be awarded to a presidential family member.

Ms Rukmana's company is also Indonesia's leading toll-road constructor and is building the Jakarta-Bandung toll road jointly with Trafalgar House.

Mr Haryanto Dhanutirto, Indonesia's minister of transport, said the elevated light railway system will be wholly-funded by Ms Rukmana's company. It will connect a number of districts in south Jakarta and should be completed by 1998.

The government is keen to retain a measure of control over both projects, whether through a say on fares or through an equity stake.



A number of ministries are already wrestling for control of the management of the two projects. The ministry of communications, the governor of Jakarta, the central planning board Bappenas, the ministry of research and technology and the ministry of public works are all involved in the planning of the underground project.

"Everyone wants to have a finger in the pie," said an official at a Jakarta-based engineering company.

A project management unit to oversee the construction of the subway has been set up with financial assistance from the World Bank, but it has so far been dogged by wrangling over who should chair the unit. Mr B J Habibie, minister for research and technology and closely identified with many of the country's top high-tech projects, appears to be in the lead. Construction is unlikely to start until this problem is resolved.

But that, like many of the country's previous attempts to tackle the worsening transport infrastructure, could take many years.

WORLD TRADE NEWS DIGEST

US-Japan car talks go nowhere

Japan and the US yesterday ended three days of talks on the motor sector without reaching agreement. The negotiations in Tokyo focused on US demands for a relaxation of Japanese administrative rules and an increase in the number of dealerships to boost imports of US-made cars and parts.

Mr Walter Mondale, US ambassador to Japan, yesterday met Mr Yoshifumi Tsuji, Nissan Motor's president, to urge the Japanese industry to buy more US car parts. Similar requests were made at meetings this week with Toyota and Mitsubishi Motors. In Washington, Mr Mickey Kantor, US trade representative, said Japan's was a closed economy which discriminated against US motor exports. *Foreign Staff*

■ Consolidated Metallurgical Industries, the South African ferrochrome producer, has announced an agreement in principle under which the Japanese trading house Mitsui will buy an eighth share of CMI's Lydenburg production capacity, equivalent to approximately 30,000 tonnes of capacity per annum. Mitsui Tokyo would become sole agent for this output, as well as a similar amount to be contributed directly by CMI to be used for developing new sales in Japan, South Korea and China.

CMI, controlled by the JCI mining company, would continue sole operation of the Lydenburg plant. Mitsui would establish a subsidiary, Mitsui Minerals Development South Africa, which would own the assets and co-ordinate marketing. *Mark Suzman, Johannesburg*

■ Japan Telecom and Nissan of Japan will set up a joint venture offering cellular phone services in northern Japan. The new company, Digital TU-KA Tohoku, will be established on April 28 with headquarters in Sendai. Japan Telecom and Nissan operate two joint ventures offering the same communications services in south and west Japan. *Reuter, Tokyo*

■ US computer group Hewlett-Packard has teamed up with Microsoft Corporation, Novell and IBM to make network printing simpler and more powerful. Hewlett-Packard said it aimed to develop and integrate printer-management software into the most widely used computing platforms, providing users with intuitive and powerful network printing. Network administrators will be able to install and configure HP LaserJet, DeskJet and DesignJet printers, perform printer diagnostics, and perform other functions remotely. *Reuter, Las Vegas*

■ Crown Cork and Seal of the US and Hong Kong's Swire Pacific have begun work on a $41m aluminium can plant west of Hanoi to supply Vietnam's fast-growing beverage industry. It is the biggest US non-oil joint venture investment in Vietnam since President Bill Clinton lifted a US economic embargo 14 months ago. Local partners are the state-owned Vietnam National Foodstuffs Import Export Corp (Vinalimex) and Ha Tay province Foodstuffs Factory. *Reuter, Hanoi*

■ Siemens' Indian subsidiary has formed a joint venture with Bharti Telecom, an Indian telephone equipment manufacturer to market Siemens telephones in India. The company will take over Bharti Telecom's established marketing and dealer network to market Siemens cellular, corded and cordless telephones and fax machines and Bharti's Beetel range of phone products. Bharti is one of several Indian companies to obtain licences to operate cellular telephone networks in the country. It has tied up with SFR of France, Mobile Systems of the UK and Emtel of Mauritius to introduce cellular telephony in the Delhi region. *Shiraz Sidhva, New Delhi*

■ Norway's Helikopter Service has won a NKr120m ($19m) contract to provide a shuttle service to the Valhall oil platforms in the North Sea. The contract takes effect on June 1 and runs for five years. *Reuter, Oslo*

CONTRACTS & TENDERS

REPUBLIC OF LEBANON
INVITATION TO TENDER FOR THE EXECUTION OF
THE REHABILITATION OF THE COASTAL HIGHWAY BETWEEN DBAYEH AND NAHR AL-MAOUT
As part of the Beirut Suburbs Project (Law 246/93)

The Government of Lebanon, represented by the Ministry of Public Works and the Council for Development and Reconstruction (CDR), invites Contractors to tender for the execution of the works of the Rehabilitation of the Coastal Highway between Dbayeh and Nahr El-Maout.

The Works will include the following main elements:
- Improvement and construction of a 5 km dual motorway (3-4 lanes per direction).
- Construction of a 5 km dual carriageway road (2 lanes per direction).
- Construction of about 12 km single carriageway roads and parallel service roads along the motorway (about 10 m wide).
- Construction of five interchanges with prestressed concrete overhead bridges 10 m to 20 m wide with a total length of about 10 km.
- Construction of two prestressed concrete pedestrian bridges.
- Construction of a 20 m wide, 90 m long prestressed concrete railway bridge.
- Reclamation and sea slope protection.
- Street lighting.
- Stormwater drainage.
- Construction and relocation of utilities such as water supply and sewerage mains.
- Landscaping and landscape irrigation.
- Traffic signs and traffic lights.
- Miscellaneous works such as road marking and sidewalk construction.

The Lebanese Government invites to tender, Lebanese and non-Lebanese, suitably qualified civil engineering and roads contractors, who meet the requirements stipulated in the prequalification documents related to this Tender; the main requirements being that the Contractors have already executed works of similar nature and volume over the last ten years, either as main Contractors or as joint venture with other Contractors for an amount, after adjustment at the date of execution equivalent to (200,000,000 US$) two hundred million United States Dollars, including one project the adjusted amount of which at the date of execution amounting to (50,000,000 US$) fifty million United States Dollars.

Tenders must be submitted in two separate sealed envelopes:

The first envelope shall contain the completed prequalification documents contained in the Tender Documents for this purpose and any other supporting documents proving the technical and financial ability and experience of the Contractor as well as the Tender Guarantee.

The second envelope shall contain the financial offer and the priced Bill of Quantities.

The Tender Committee in CDR shall first open the first envelope and establish the ability and experience of the Contractors. The Committee shall retain only those Contractors who qualify to execute the Project and shall return the sealed financial offers to those Contractors who do not qualify.

The Tender Committee shall then open in public the second envelope of only those Contractors who are qualified, at a date and time to be announced in due time.

Contractors who wish to participate in this Tender are invited to collect the relevant Tender Documents against a sum of U.S. Dollars Eight Thousand ($ 8000) in the form of a banker's certified check in the name of the Council for Development and Reconstruction at the offices of CDR as of Monday the 3rd of April 1995 at the following address: The Council for Development and Reconstruction - Tallet Al-Serail - Beirut - Lebanon

Tenders are to be submitted at the above CDR address not later than 12:00 hours noon Beirut local time on Wednesday 21 June 1995.

Telecommunications
Forward Survey Programme 1995

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Chevron braves Nigeria's finance risks

By Paul Adams in Lagos

Chevron Nigeria's launch of the $569m (£357m) Escravos gas gathering project last week shows some oil companies will risk investment in large gas projects in Nigeria without export credit cover or foreign financing for their joint venture partner, the Nigerian National Petroleum Corporation.

The first phase at Escravos from mid-1997 will produce 17,000bn cubic feet of gas and raise use of associated gas from 4 per cent to 30 per cent of reserves, rising to 80 per cent by next century. It will boost Nigeria's hydrocarbons output without any restriction from its quota of 1.86m barrels of oil a day set by the Organisation of Petroleum Exporting Countries.

Most of the gas will be piped to the Nigerian Gas Corporation's nearby terminal for local industrial use or export to Ghana, Togo and Benin if the proposed west African gas pipeline project is agreed. The remaining liquefied petroleum gas will be exported from the site and heavier liquids will be blended with the Escravos crude stream.

The problem with this and other gas projects has been a lack of external financing for the state-owned NNPC's statutory 60 per cent of the venture.

NNPC's claim that it can fund Escravos and the other big gas project begun this year – phase two of the Oso joint venture with Mobil – out of the state budget or with external finance looks optimistic.

Nigeria cannot get loans from commercial banks or the World Bank because its military regime has abandoned approved economic reforms and run up more than $8bn in arrears to the Paris Club of official creditors on top of its $29bn external debt.

The US has also banned official finance to Nigeria over failure to control drugs trafficking, and non-US export credit agencies are reluctant suppliers to Nigeria.

NNPC is struggling to meet existing commitments.

Despite cutting last year's operating budget for oil production it has failed to meet its 58 per cent share of industry costs and is over $1bn in arrears to the oil companies, which it promises to repay in monthly instalments over the next two years.

So far Nigeria's government has rejected the oil company's solution – to take more crude oil or more equity in lieu of the arrears. Without the World Bank, the International Finance Corporation has declined to come into the Escravos project as it did with phase one of Mobil's Oso project in 1990 which provided commercial lenders with a form of guarantee against default by Nigeria.

Shell, Agip, Elf and the IFC also have 51 per cent of the $3.6bn Liquefied Natural Gas project at Bonny but they have yet to break the deadlock over financing the Nigerian share and the project has missed its target date for a final investment decision to be made early this year.

Banks hesitate to fund new offices in E Europe

By Simon London, Property Correspondent

Most central and eastern European cities are suffering a shortage of modern office space because of a lack of funding for new buildings.

According to Healey & Baker, the surveyors, only 2 per cent of Moscow's 7m square metres of office space meets western standards. The firm estimates there is unsatisfied demand for at least 200,000 sqm of offices.

Scarcity of finance is the main problem across the region. In most cases there are few local commercial banks and almost no pension funds orinsurance companies willing to fund property development.

Yet western commercial banks remain wary of property lending in the region. Many are still nursing write-downs on property loans at home.

"Other than in Prague there is a funding gap in every market in central and eastern Europe," said Mr Marc Mogull, senior banker in the property and tourism division of the European Bank for Reconstruction and Development.

Citibank is an example of a bank which has a large presence in central and eastern Europe but is wary of lending money on property. "Our concern is that it is still difficult to judge the sustainable level of demand for business space," said Mr Jeffrey Heintz, head of European Real Estate at Citibank. "We prefer to let these markets settle down before committing ourselves."

The presence of export credit agencies and supranational lenders, such as the European Bank for Reconstruction and Development could help coax commercial banks back into the market.

Last autumn the EBRD arranged a $35m funding package for the construction of the first phase of the 20,000 sqm Atrium Business Centre in Warsaw. Skanska, the Swedish construction company, invested around $12m equity. Senior debt amounting to $21m was provided by the Polish Development Bank and other local banks, Swedish Export Credit and the EBRD. The EBRD and Skanska also committed $2.5m of subordinated loans. Even with the presence of the EBRD and Swedish Export Credit, though, western commercial banks declined to participate in the transaction.

OFFICE OCCUPANCY COSTS
$ per sq.m. per year

Brussels	318
Prague	505
Paris-Golden Triangle	811
Berlin	547
Frankfurt	622
Budapest	426
Milan	354
Amsterdam	287
Warsaw	780
Moscow	1,000
Madrid	290
London – City	1,149

Source: Jones Lang Wootton International Research

The problems surrounding the financing of Warsaw's Hotel Mercure show why western banks are still wary.

Compagnie Generale de Batiment Construction (CBC) of France, which originally held 50 per cent of the equity and was responsible for construction, withdrew from the Mercure project a year ago. Loans are now being renegotiated amid claims that the eight-year loan – carrying a fixed 11 per cent interest rate – condemned the project to permanent losses.

According to Mr Mogull there are two main ways of avoiding similar problems:

- Banks have to make sure that the equity committed to a project has strong enough guarantees to ensure that the building is finished.
- Construction costs should be kept under tight control to ensure that the contractor – usually the main equity investor such as CBC or Skanska – does not make an excessive profit from the construction phase which would allow it to walk away from the project.

Despite the EBRD's efforts, worries about underlying political stability, legal systems and the structure of transactions have kept most western banks on the sidelines. Austrian banks such as GiroCredit and Caisse des Depots, the French state financial institution, are among the few to have ventured into the region on any scale.

Mr Michael Hodges of Jones Lang Wootton, the surveyors, estimated that three or four developments of over 10,000 sqm are required every year in each capital city to keep rents stable.

In Prague – and perhaps Budapest – it is possible that this target will be met. But the outlook for Moscow and Warsaw – let alone Kiev, Bucharest or Sofia – is far less certain.

INVITATION FOR EXPRESSION OF INTEREST
FOR THE PURCHASE OF THE GROUPS OF ASSETS OF
"S.A.D.' INDUSTRIE AGRICOLE" OF ATHENS GREECE

ETHNIKI KEPHALEOU S.A., Administration of Assets and Liabilities of 1 Skoulesiou Str., Athens, Greece, in its capacity as Liquidator of "S.A.D.' INDUSTRIE AGRICOLE", a company with its registered office in Athens, Greece, (the "Company"), presently under special liquidation according to the provisions of Article 46a of Law 1892/1990, invites interested parties to submit within twenty (20) days from the publication of this notice, non-binding written expressions of interest for the purchase of one or more of the groups of assets mentioned below, each one being sold as single entity.

BRIEF INFORMATION

The Company was established in 1973. On 21.4.1994 the Company was placed under special liquidation, according to the provisions of Article 46a of Law 1892/1990 upon application by the National Bank of Greece SA and the Credit Bank SA in their capacity as creditors representing over 51% of the claims against the Company. The Company's activities included the production of alcohol (pure and industrial), grape must, kernel oil and olive kernel oil milling residues.

GROUPS OF ASSETS OFFERED FOR SALE

1. Distillery/winery at "Potamia or Kossyfa" in the Kalamata city plan area (Artemis and Koumoundourou Streets), consisting of three separate plots of land. The total area of the 3 plots amounts to approximately 11,815 sq.m.of which 1300sq.m. are to be street aligned on the basis of the authorised city plan. This contains buildings, the surface of which amounts to approximately 3,835 sq.m., tanks and machinery. The company's trade name is also on offer.

2. A plot of land covering 5,190 sq m. (which used to serve as kernel oil and soap factory) and containing old buildings destroyed by earthquakes, at "Analepse or Tambakika", in the Kalamata city plan area (Spetson and Lykourgou Streets), part of which is to be street-aligned.

3. Kernel oil factory/olive oil refinery at "Potami" in the rural area of Kyparissia (Pyrgos-Kyparissia National Road) standing on a plot of land covering 13,702 sq.m. and containing buildings, the surface of which amounts to 2,800 sq.m., machinery and mechanical equipment in operating condition. The factory is under lease, the validity of which is being disputed in court.

4. Winery at "Petrogefyra" in the community of Thouria,Messinia standing on a plot of land equal to 3,670 sq.m. and containing buildings, the surface of which amounts to 200 sq.m., a cement tank, the volume of which equals to 2,000 c.m. and old machinery.

5. One-half ab indiviso of an old olive refinery at "Tikla", in the community of Kardamele, Messina on a plot of land covering approximately 2,015 sq.m. and containing buildings, which have been declared "national heritage". Legal proceedings are pending in respect of the ownership of the building.

6. Agricultural plot of land (on the sea) covering approximately 3,420 sq.m. (which used to serve as a winery) at "Bouka" in the community of N.Koroni Messinia. This is currently wrongfully possessed by third parties, against which legal proceedings are pending.

7. A 17.8% ab indiviso share of a plot of land, covering approximately 8,652 sq.m. at "Mylos" in the local Authority of Gythio (which used to serve as an olive oil refinery), containing old buildings, the surface of which amounts to 700 sq.m.

8. A plot of land (including old buildings, which used to serve as an ice-making/cold storage unit) at Analepse or Tabakika", Kalamata, covering 678 sq.m. divided into two sections, one on the east equal to 181.4 sq.m and one of the west equal to 496.60 sq.m. The latter one is to be street-aligned, its size being reduced to approximately 490 sq.m. on the basis of the new authorised Kalamata city plan.

9. A plot of land, covering approximately 3,315 sq.m in the Kalamata city plan area (Evagelistrias, Kanyvse and Salamina Streets).

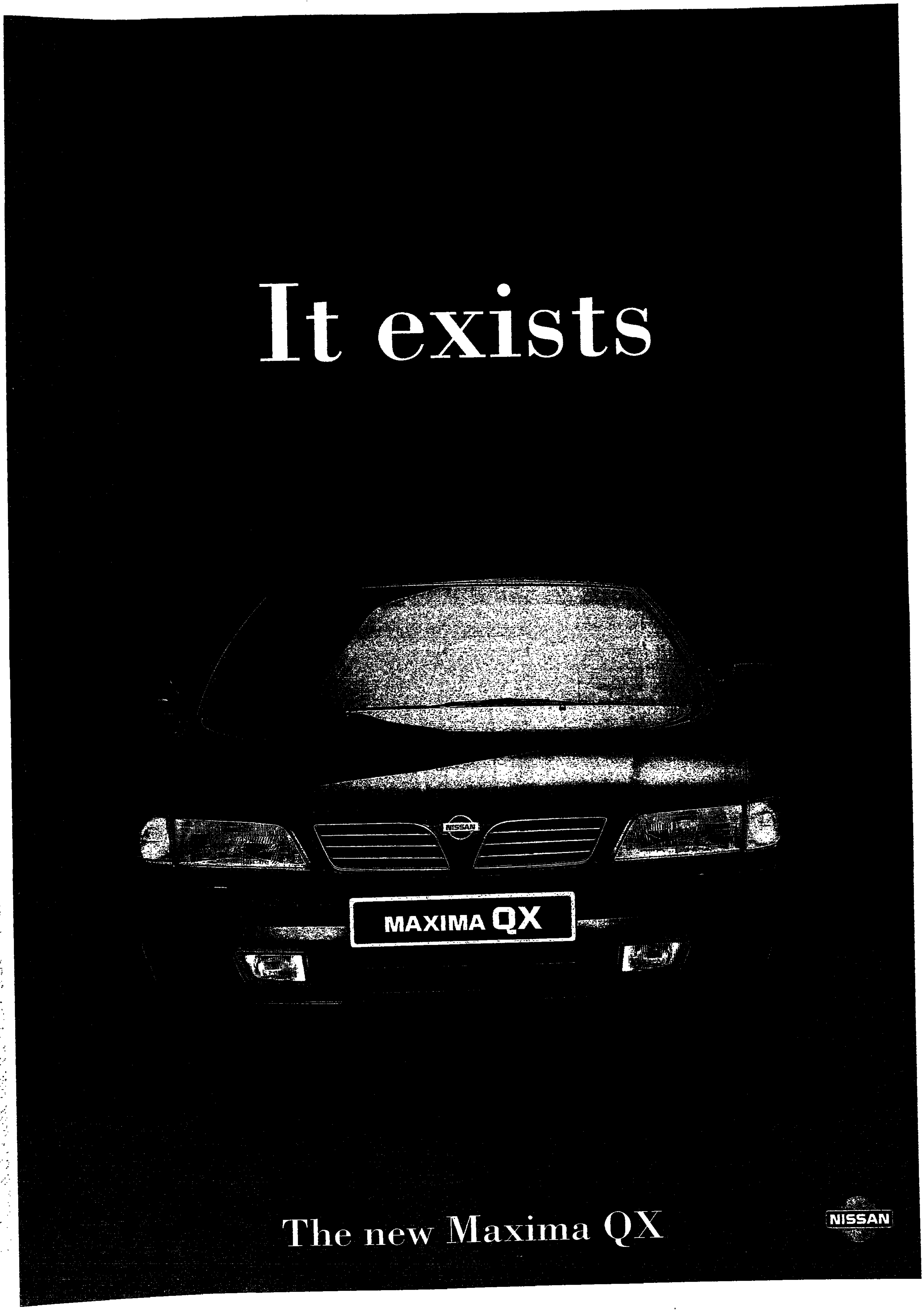
10. A 5th floor flat at 32, Sina Street, Athens, the surface of which amounts to 110 sq.m., together with a basement store-room of 6 sq.m. and a 1/6 ab indiviso share of the right to build further floors. This is leased out as a residence.

SALE PROCEDURE

The Company's assets will be sold by way of Public Auction in accordance with the provisions of Article 46a of Law 1892/1990, (as supplemented by art.14 of L.2000/1991 and subsequently amended) and the terms set out in the invitation for tenders for the sale of the above assets, to be published in the Greek and foreign press on the dates provided by law.

SUBMISSION OF EXPRESSIONS OF INTEREST - OFFERING MEMORANDA - INFORMATION

For the submission of Expressions of Interest as well as in order to obtain copies of the Offering Memoranda, please contact the Liquidator, "ETHNIKI KEPHALEOU SA Administration of Assets and Liabilities" 1, Skoulesiou Str Athens 105 61, GREECE, Tel. +30-1-323.14.84 - 87 fax: +30-1-321.97.05 (attention Mrs. Marika Frangakis).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Move likely to raise debate over pace of liberalisation

South Korea applies to join OECD

By John Burton in Seoul

South Korea yesterday formally applied to become the 26th member of the Organisation for Economic Co-operation and Development by 1996, a step in its quest to be recognised as an advanced industrial country.

The application, however, is likely to fuel a debate over the pace of South Korea's moves toward financial and economic deregulation, which have been criticised as too slow by the US and other countries.

"The South Korean application provides an opportunity for the OECD member countries to make sure that Seoul will stick to its promised financial reforms and perhaps accelerate them," said a diplomat in Seoul.

South Korea has announced plans to liberalise its financial system, which has been subject to strong state control. But important reforms, such as the loosening of foreign exchange controls, are not scheduled until after South Korea plans to join the OECD in 1996.

The current timetable has raised western concerns that early acceptance of South Korea as an OECD member may remove an incentive for the country to implement some painful financial reforms. Such reforms are considered necessary to correct distortions in capital allocation, but could prove temporarily disruptive to economic performance.

South Korea has announced financial reform programmes in the past, but has delayed them over fears of an adverse impact on the economy.

South Korean officials said they had no plans to accelerate reforms to meet possible OECD demands. They insist a new member reserves the right to accept OECD regulations conditionally or delay their acceptance for a limited time to suit domestic conditions.

"Our number one economic priority is controlling inflation and we have to implement the reforms in such a way to keep inflation low," said Mr Lee Hong-koo, South Korean prime minister, in a recent interview. He said sizeable inflows of foreign capital into Korea that could result from rapid abolition of exchange controls would increase inflationary pressure.

Mr Lee also acknowledged that the recent financial turmoil in Latin America had "created concerns in the minds of people both inside and outside government about the speed of the reforms," but he insisted "we are committed to continued liberalisation".

South Korea delayed its OECD application by two months as a result of the Mexican crisis. The postponement initially raised doubts about its commitment to joining the OECD by 1996.

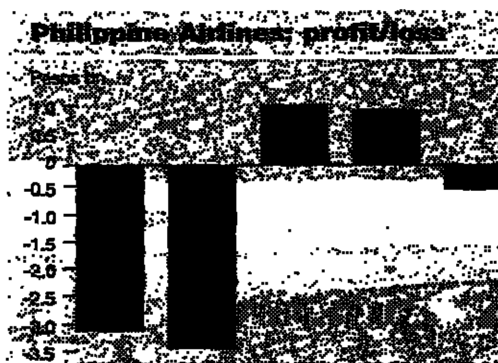
■ South Korea yesterday proposed that Russia send negotiators in April to discuss a rescheduling of $1.47bn it owes to Seoul, APDJ reports from Seoul. The proposal came as Russia delivered three of the seven $2m helicopters it promised to Seoul under an earlier agreement to pay back part of its debts. South Korea plans to use the Russian helicopters to fight forest fires.

Philippine flag carrier in a nose dive

Edward Luce on a loss-making laggard among east Asian national airlines

If the financial health of the national airline is considered a measure of whether a country is destined to reach "Tiger" economic status, then the Philippines might as well throw in the towel.

Philippine Airlines (PAL) – which yesterday postponed a much-needed $400m capital infusion to revive the loss-making corporation – is frequently seen as a laggard in comparison with most of east Asia's national flag carriers.



Locally referred to as the "Plane which Arrived Late", the airline estimates its losses at 2bn pesos (£50m)for the financial year 1994-95 after making a net loss of 451m pesos last year. Industry specialists say the airline would now be virtually bankrupt were it not viewed as a strategic asset by the Philippine government.

Mr Lucio Tan, the chairman of PAL, who won the top position at the airline in January via his 50.5 per cent stake in PR Holdings which owns 67 per cent of PAL, failed yesterday to persuade the 15-member board of directors to inject an initial 3.2bn pesos into the ailing carrier.

Mr Tan was narrowly defeated after the government – which owns 33 per cent of PAL – instructed its five board representatives to veto the chairman's recapitalisation plans.

"The quality of PAL's service is disastrous for the Philippines' image," said Matthew Sutherland, head of Asia Equity Securities in Manila. "When potential foreign investors fly into Manila on the shoddy and rundown national flag carrier they might well have cause to think twice about the country," he said.

Recent history suggests that it might take some time for PAL to turn its performance around. The airline, which could soon find itself in a fiercely competitive market place after the government announced earlier this year that it would liberalise Philippine air transport, has been plagued by labour disputes and rising operational costs since it was privatised in 1992.

PAL's fleet of Boeing 747-400s and Airbus 300s has an average age of 14 years which the airline – constrained by a three-to-one debt/equity ratio imposed by its creditors – is unable to modernise.

As the fleet ages and maintenance and repair costs soar the corporation has been prevented by heavy losses from raising the capital to buy new aircraft, acquire modern ground support equipment and computerise the airline's booking system.

In addition the corporation's 14,000 workforce has frequently gone on strike for better pay in spite of the fact that average wages at the loss-making airline are double the national average. In contrast to PAL, Korean Airlines also has a workforce of 14,000 but consistently posts healthy profits.

If the vote yesterday to recapitalise PAL had succeeded, Mr Tan would have used the funds to buy two new Boeing 747-400s, refurbish existing aircraft and negotiate the deferral of an "open skies agreement" with the US government which is due to come into force in October 1996.

The government, which has fought a running battle with Mr Tan since he gained control of the airline in January, has filed a petition to the Securities and Exchange Commission disputing Mr Tan's right to speak exclusively for PR Holdings' share in the airline. Meanwhile, the solicitor-general yesterday asked the high court to prosecute Mr Tan for allegedly evading up to $1bn in taxes through his cigarette company, Fortune Tobacco.

PR Holdings is 20 per cent owned by three government financial institutions – the Land Bank of the Philippines, the Philippine National Bank and the Armed Forces pension fund, which collectively claim the right to a direct share in PAL via their minority stake in PR Holdings.

Mr Tan's vision of taking full control of PAL and transforming the airline's fortunes through aggressive cost-cutting and re-routing measures would be dealt a severe blow if the three state-owned institutions succeeded in wresting the disputed equity from PR Holdings. The government's share of the privatised airline would rise from 33 per cent to 45 per cent of PAL if the SEC ruled in its favour later this year.

"We need to solve the ownership problem at PAL before we can take the hard decisions to improve its capital base," said Jaime Bautista, vice-president of the airline, yesterday.

"This will eventually mean rationalising the workforce, hiring more qualified engineers, and re-routing unprofitable destinations," he said. For example the daily Manila-Jakarta Airbus 300 flight, which rarely exceeds 100 passengers but has a capacity of 240, would need to be downgraded.

Mr Tan may yet win the opportunity to re-structure the airline when the SEC rules on the equity dispute later this year. In the meantime, however, PAL threatens to bleed itself dry.

Malaysia forecasts growth rate of 8.9%

By Kieran Cooke in Kuala Lumpur

Bank Negara, Malaysia's central bank, yesterday delivered an upbeat assessment of the country's economy, forecasting that for the eighth successive year growth in 1995 would top 8 per cent. But the bank, in its 1994 annual report, warned that strains were beginning to emerge, including a widening current account deficit and a decline in productivity levels.

The bank forecast growth of 8.9 per cent this year, compared with 8.7 per cent in 1994. It said exports would continue to register growth of more than 20 per cent. "Overall, Malaysia has achieved remarkable progress on many fronts," said Mr Ahmad Mohamad Don, the bank's new governor.

The bank said inflation would be contained at less than 4 per cent this year. However there is a widespread belief that price increases are not properly reflected in the official figures.

The publication of the bank's report is one of the main events in Malaysia's economic calendar. In each of the past two years they have not been happy occasions with the bank being forced to admit foreign exchange dealing losses for 1992 and 1993 totalling M$14.7bn (£3.6bn). Opposition politicians have alleged the losses were in fact much higher than the officially stated figures.

More than half of those losses have been met through reserves while the remainder, amounting to M$5.1bn, appears as deferred expenditure in the 1994 accounts. Last year the then governor was forced to leave the bank, and a management shake up followed.

Yesterday the main talking point was Malaysia's current account deficit which has grown from M$6.3bn, or 4.1 per cent of GNP, in 1993 to M$11.6bn, or 6.6 per cent of GNP, last year. At this time last year the central bank was forecasting a 1994 deficit of less than M$5bn. The deterioration in the current account was caused mainly by a 32 per cent rise in merchandise imports, the biggest rise since 1988. Merchandise exports rose in 1994 by 25.6 per cent.

Meanwhile the deficit on the services account, mostly due to repatriation of investment income and freight and insurance costs, rose slightly to M$15.7bn. Some analysts have warned that such a large deficit could signal a decline into Mexico-type turmoil.

Bank Negara dismissed such an idea. Its economists said the deficit was manageable and comfortably covered by inflows of long term capital. Malaysia, unlike Mexico, has a large cushion of foreign exchange reserves, amounting to M$68bn at the end of 1994. Also, while imports had risen sharply, they were mostly accounted for by capital and intermediate goods which would improve the country's economic capacity and eventually translate into more foreign exchange earnings. Malaysia's debt service ratio – principal and interest payments as a percentage of export earnings – was 4.9 per cent last year, compared to Mexico's 29 per cent.

"The Malaysian economy is now at a turning point," said Mr Ahmad. The bank governor said that with full employment Malaysia had to shift away from labour intensive activities. So far growth had been investment driven.

"There is now a need to shift towards productivity driven growth and to focus on the quality of investments," said Mr Ahmad. "Malaysia can no longer ignore the need to shift towards a technology-oriented strategy to maintain international competitiveness."

Mr Ahmad described as formidable the volume of financing needed to industrialise the economy. "The sheer magnitude of future investments will require new instruments of funding, more effective promotion of savings, and mobilisation of resources through the capital market and the banking system," he said. He said funds raised from the capital market last year rose to a record high of M$17bn, compared with M$6.5bn in 1993.

Mr Ahmad Mohamad Don (right), governor of Bank Negara, gesturing at one of his officials while announcing the central bank's 1994 results at a press conference yesterday Reuter

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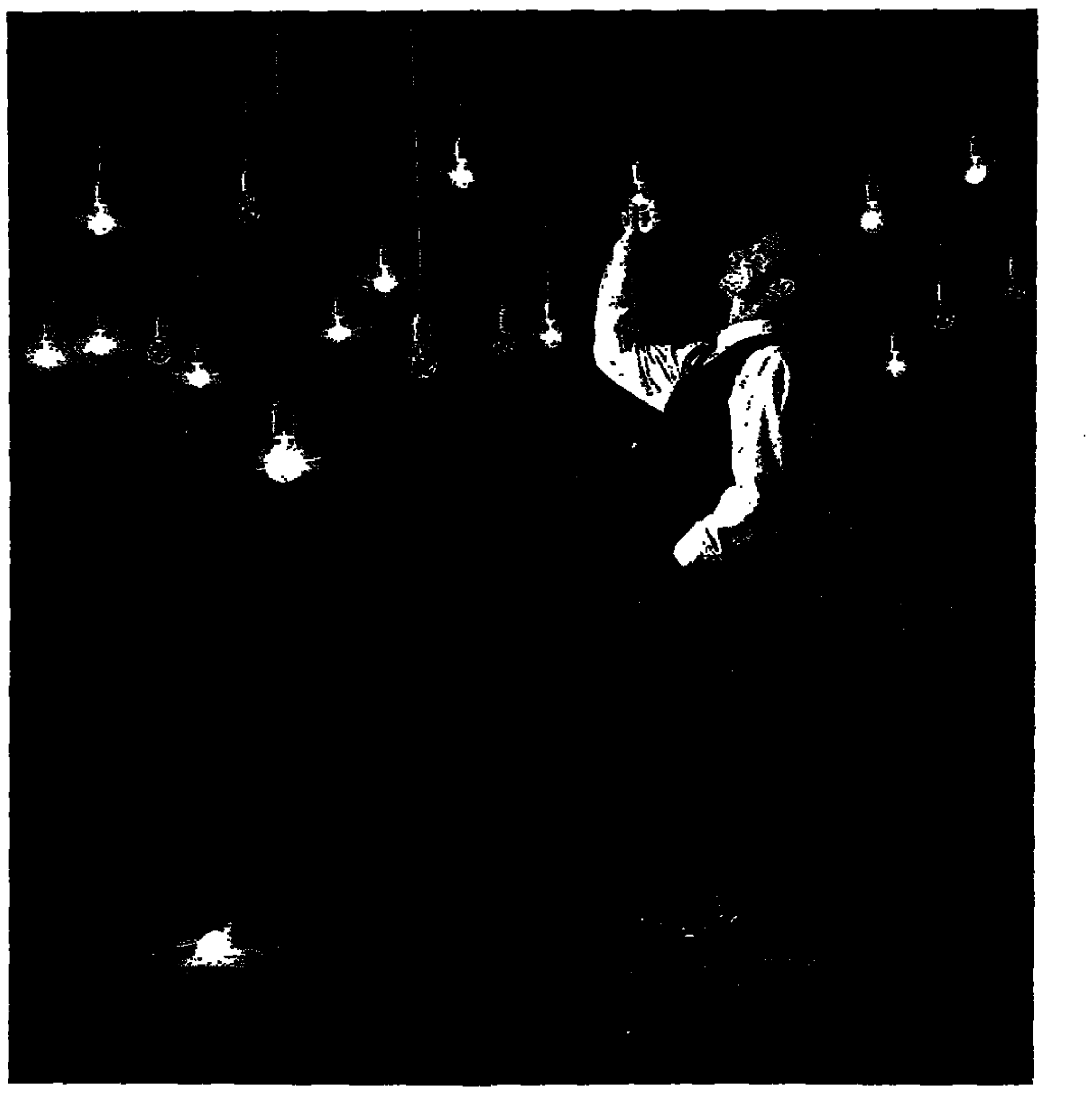

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ASIA-PACIFIC NEWS DIGEST

Taiwan raises Spratly tensions

Tensions over the disputed Spratly Islands in the South China Sea racheted a notch higher as Taiwan, one of six nations claiming sovereignty over all or part of the potentially oil-rich islands, said it would boost its military presence there. Mr Yang Tsu-ching, commander of police, said armed police patrol boats would be sent and that a monument would be built on Taiping Island to emphasise Taiwan's claim. Taiping Island, the largest in the Spratly group, is already occupied by Taiwanese marines. *Laura Tyson, Taipei*

■ Philippine President Fidel Ramos yesterday said the Philippines would not release 62 Chinese fishermen arrested last week in the Spratly islands. The arrests and the destruction of territorial markers by Philippine troops followed moves by China to bolster its presence last month. *AP, Manila*

Jakarta press move condemned

The Indonesian government's crackdown on press freedom was condemned by the US embassy in Jakarta yesterday which said the move was "troubling" and "inconsistent with the principle of press freedom". In the government's most severe clamp-down on freedom of speech since the closure of three publications last June, three members of the Alliance for Independent Journalists, AJI, were arrested earlier this month while 13 AJI members were expelled from the state-controlled journalists' association. The arrests and expulsions were ostensibly related to AJI's publication of an unlicensed newsletter called Independen. The three AJI members are still being detained. *Manuela Saragosa, Jakarta*

Vietnam's trade deficit widens

Vietnam's trade deficit in 1994 was $1.4bn, $400m more than in 1993, mainly because of equipment imports to expand production, the government said. Vietnam exported goods worth $3.6bn, up from $2.9bn in 1993, and imported goods worth $5bn, up from $3.9bn, said Mr Phan Van Khai, deputy prime minister. Mr Khai said the government expected imports in 1995 might be higher than the $5.5bn previously estimated. But he gave no figure for exports expectations. *Reuter, Hanoi*

India sets dealer conditions

The Reserve Bank of India (RBI) said companies or subsidiaries of financial institutions and banks with net owned funds of at least Rs500m $15.8m) will be eligible to be primary dealers in government securities. The primary dealers or market-makers in government securities are expected to activate the fledgling Indian debt market. This is the first time that the central bank has introduced such market-makers in government securities. The RBI said that a primary dealer's predominant business must be trading in government securities. A primary dealer will have to make a commitment to bid for a minimum amount in government securities and treasury bill auctions during a year. *Reuter, Bombay*

Soft landings in Japan

Japan's top bureaucrats took more senior jobs in private companies after leaving public office in 1994 than in the previous year, the national personnel authority said in a report on so-called *amakudari* or "parachuting" released yesterday. Seventy of them were employed as top managers, up by 12 from the previous year, although a total of 203 senior government officials got lesser jobs in companies formerly under their jurisdiction in 1994 - down from 207 in 1993. Government officials are banned from taking posts in companies that are closely related to their public jobs for two years after leaving the office. However senior officials are allowed to do so if the national personnel authority gives permission. *Kyodo, Tokyo*

China approves HK airport body

By Simon Holberton in Hong Kong

Beijing yesterday approved a law that creates the Airport Corporation, operator of the proposed Hong Kong airport, bringing nearer to an end the sorry saga of negotiations over terms on which the new airport will be built.

The announcement was made by China without prior reference to the British or Hong Kong governments.

A dispatch carried by the official Xinhua news agency quoted an unnamed official observing the agreement was the result of "common efforts" by the two sides over the past few months. China has had a copy of the draft Airport Corporation bill for more than a year.

Still awaiting Beijing's blessing, however, are the "financial support agreements" between the Hong Kong government and the corporations building the airport and its connecting high-speed railway. Until these agreements are concluded both companies will have to wait to approach credit markets for up to HK$23bn (£1.9bn) of debt finance for the projects.

Xinhua said that yesterday's agreement "would be conducive" to the talks between the two sides over the issue of financial support. It gave no indication as to when an agreement might be forthcoming, but Hong Kong officials familiar with the talks believe there are no substantial areas of difference between the two sides.

Yesterday's announcement came as proposed talks between Beijing and Hong Kong about the colony's annual budget nearly broke down. Hong Kong officials delayed their departure for the Chinese capital while British and Chinese officials haggled over the words used to describe the mission.

● Hong Kong's foreign reserves stood at $49bn (£30.7bn) at the end of last year, placing the colony seventh in the world in terms of foreign currency reserves.

The reserves are used to back Hong Kong's note issue, but such has been the strength of the colony's economy that holdings of reserves are more than four times the size required by law to redeem Hong Kong dollars for US dollars.

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INTERNATIONAL NEWS DIGEST

Insurers turn eco-friendly

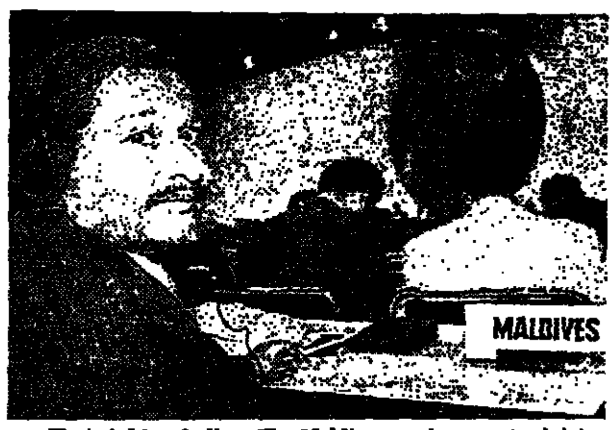
A group of big European insurers are to set premiums according to customers'environmental performance. The group, led by Uni Storebrand, Norway's largest insurer, Swiss Re, Gerling of Germany, General Accident and National Provident of the UK will sign an agreement today to develop methods of assessing environmental risk and to share experience in this area when setting premiums. The agreement coincides with the United Nations conference on climate change and will be endorsed by Ms Elisabeth Dowdeswell, executive director of the United Nations Environment Programme.

The insurers want to improve risk assessment by pricing insurance policies to reflect the commitment of their clients to the environment. The insurance companies are concerned about global and local environmental problems such as global warming, groundwater contamination, acid rain and risks at sea such as oil spills. Figures released this month by Munich Re, the world's largest reinsurance company, showed that the cost to the world's insurance companies of large-scale natural disasters is now 14 times as high as in the 1960s. *Karen Fossli, Oslo*

Maldives pleads for survival

The president of the tiny Maldive Islands, facing inundation if the worst fears about the effects of global warming on sea levels come true, has issued an impassioned plea for action to the Berlin climate conference. "Each tick of the clock could be time lost in saving some 30 small island nations from drowning in a sea of rising tides," President Maumoon Abdul Gayoom said.

The earth's temperature has already risen by more than 0.5 degrees C since the middle of last century, raising the sea level through thermal expansion and the melting of polar ice. The UN's Intergovernmental Panel on Climate Change predicts the sea level could rise by more than one metre in the next century. The idyllic Indian Ocean state of the Maldives, whose highest point is three metres above sea level, would be washed from the map. Mr Gayoom said: "The meagre resources of the small island developing states, whose narrow-based economies are pressed to alleviate hunger, poverty and illiteracy, cannot be set aside for rectifying the mistakes of powerful and affluent nations." *Reuter, Berlin*



That sinking feeling: The Maldives environment minister, Mohamed Khaleel, at the Berlin climate conference yesterday

Concern over China's emissions

China's dirty and inefficient state enterprises are too busy fighting for economic survival to spend scarce resources on cutting emissions of the gases blamed for global warming. With two-thirds of state companies losing money, averting a possible environmental catastrophe in the next century is not high on the priority list of most managers, delegates to a national seminar on greenhouse gases in Beijing said this week.

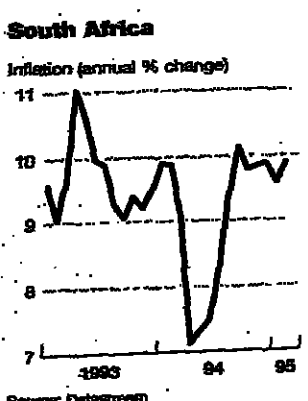
Industry – most of it state-owned – accounts for more than half of China's carbon dioxide emissions, said a report by China's environmental agency. Major culprits are small and inefficient coal-burning boilers, furnaces and kilns. Although China is responsible for only 10 per cent of global carbon dioxide emissions, breakneck economic development and inevitable growth in emissions is arousing concern. *Reuter, Beijing*

Australia will miss targets

Australia will fail to meet its international commitments on greenhouse gas emissions, despite a package of measures announced yesterday. The package includes "voluntary" agreements with industry aimed at cutting emission levels by 15m tonnes by the year 2000. Senator John Faulkner, the federal enviroment minister, admitted the A$63m package would not be enough to meet the internationally-agreed objective of stabilising carbon dioxide emissions at 1990 levels by the year 2000. However, the measures should peg emissions at 3 per cent above stabilising levels by the end of the century – compared with 14 per cent if no action is taken, he said.

Greens criticised the package for its reliance on voluntary agreements with industry, and limited funding. Greenpeace called it a "recipe for failure". "Australia is one of the world's largest per capita greenhouse polluters and is offering unenforceable industry agreements to provide 75 per cent of its greenhouse gas reductions," it said. *Nikki Tait, Sydney*

Drought hits S African prices



Source: Datastream

South Africa's inflation rate during February was 9.9 per cent a year, 0.3 per cent up on January's figure of 9.6 per cent but still below the psychologically important 10 per cent barrier. According to the Central Statistical Service, the main cause was food costs, which rose 17.4 per cent, partly because of drought. This was particularly noticeable in vegetable prices, which rose 2.8 per cent on the month. Most analysts expect rising food prices and increased taxes on alcohol and cigarettes to push inflation higher over the next few months before dropping back down to 10 per cent or below during the second half of the year. *Mark Suzman, Johannesburg*

Oman to reform banks

The Gulf state of Oman has created a fund to guarantee bank deposits in reforms to strengthen its banking sector following world adequacy guidelines and the collapse of BCCI. The fund, the first of its kind in the six nations of the Gulf Co-operation Council (GCC), was endorsed by Sultan Qaboos two days ago and measures are under way to put it into action, said Mr Hamud Salim, manager of the banking and development department at the Omani Central Bank. "It will boost national savings and strengthen investors' confidence as it will provide coverage for them in case of any crisis," he said. The fund's capital will be subscribed jointly by the central bank and commercial banks in Oman. Bankers said the capital could eventually reach 100 million riyals ($260m). *AFP, Abu Dhabi*

Kuwait oil strike ends

An oil strike aimed at shutting down Kuwait's 3 per cent share of world production ended officially yesterday when workers signed an accord which they said required harder work for more pay. *Reuter, Kuwait*

US calls for support to isolate Iran

Observers doubt whether hardline stance will work

By George Graham in Washington and Robert Corzine in London

The US appeal this week for a United Nations embargo on oil exports from Libya is the latest in a series of actions aimed at isolating Iran, Iraq and Libya, the three Middle Eastern governments which Washington perceives as threats.

The flurry of US diplomatic activity began on March 15 when President Bill Clinton barred Conoco, the oil subsidiary of DuPont, from proceeding with a ground-breaking deal to develop Iran's offshore Sirri oil field. In recent weeks the US has also repeated its opposition to an early relaxation or lifting of the UN oil export embargo on Iraq.

But Iran appears to be at the top of Washington's Middle East agenda, say observers, even though many doubt whether the US's increasingly hardline position will win much international support.

Washington officials are resigned to the likelihood that Mr Clinton's executive order barring US companies from developing Iran's oil resources will drop the Conoco deal into the lap of a European oil company.

Diplomatic démarches have been undertaken to try to persuade the US's allies in Europe and Japan to follow Washington's lead in refusing to co-operate with Iran in oil development.

But no one in the Clinton administration suffers from the illusion that these démarches will deter European and other international oil companies. Mr Joe Stanislaw, an analyst with the Paris office of Cambridge Energy Research Associates, says: "For non-US oil and gas companies Iran is 'fair game'."

Total, the French oil company which was competing with Conoco for the Sirri contract, has declined to say whether it will continue to negotiate with Iran. But Mr Gholamreza Aghazadeh, Iran's oil minister, this week held out the Conoco deal as "a clear cut model" of co-operation which Iran was prepared to enter into with foreign oil companies.

Other analysts say Washington's recent actions could damage the long-term chances of US oil companies expanding abroad. Mr Robin West, head of the Washington DC-based Petroleum Finance Company, said: "Why would any country with policy differences with the US now let in US oil companies?"

Earlier this week the administration itself appeared to be trying to limit the potential damage to US commercial interests. In Houston on Monday Mr Bill White, deputy energy secretary, said any future sanctions against Iran would not include an embargo on US companies trading in Iranian oil overseas.

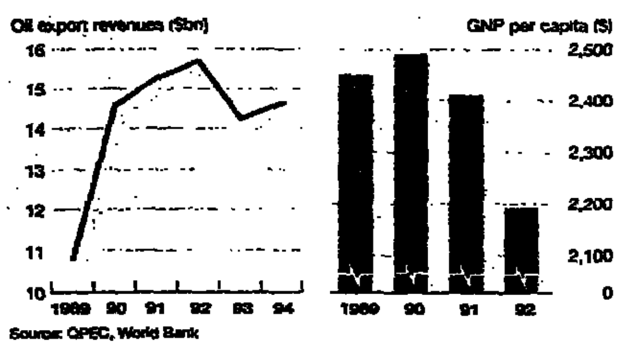
"You can't have a unilateral embargo in today's world oil market. Oil will trade," said Mr White. He added, however, that: "We'd like to see their economy weaker so they can spend less discretionary income arming themselves to the teeth, which is what they are doing."

The US focus on Iran's oil industry is logical, given the sector's dominant role in Iran's economy. Oil revenues rose slightly last year to just over $14.6bn (£9.2bn), compared with about $14.3bn in 1993.

Living standards in Iran have fallen acutely in recent years as price rises in excess of an official 40 per cent and a currency crisis have taken their toll.

There is some enthusiasm in Congress for tougher action against Iran.

Although US oil companies are already prohibited from importing Iranian oil into the US, Senator Alfonse D'Amato of New York has proposed a bill that would bar them from buying it to sell elsewhere, as well as preventing them from investing in projects with Iranian companies in countries such as the central Asia republics.



Source: OPEC, World Bank

But Mr Peter Tarnoff, undersecretary of state for political affairs, recently warned Mr D'Amato in hearings on Capitol Hill that he believed it would be impossible to persuade other members of the Group of Seven leading industrial nations to go along with restrictions on anything beyond militarily sensitive goods.

That would leave the US out on a limb imposing an ineffective unilateral embargo. "The only way to make any of this bite is if you can bring the Europeans and the Japanese in," cautions Mr Richard Haass of the Council on Foreign Relations.

Nevertheless the US decision to block the Conoco deal is not merely self-flagellation. By removing the inconsistency between, on the one hand, Washington's tough rhetoric about dual containment of Iran and Iraq and, on the other, the growing US-Iranian trading relationship, Mr Clinton's order could make it easier to dissuade allies from some of the deals the US regards as seriously threatening – notably Russia's planned sale of nuclear reactors.

Some observers argue, however, that recent US actions in the Middle East are mainly linked to US domestic political issues. Mr Robert Mabro of the Oxford Institute for Energy Studies believes the embargoes could prove counter-productive to long-term US interests. "More US meddling could turn the Middle East into a powder keg," he warned.

Nigeria misses out on World Bank loan

By Paul Adams in Lagos

The World Bank has cancelled a $195m (£122m) loan for telecommunications in Nigeria because of the government's failure to reform its parastatal Nitel into an autonomous commercial company.

Since the loan was approved in 1990, there has been almost no progress on the bank-funded project. Problems grew worse last September when the military regime suspended the boards of directors of all state-owned companies.

Since then, Nitel has been run by a sole administrator. Donors say Nitel's decision-making has been passed to the head of government and procurement has been so slow that when Nitel awarded one contract the system they ordered had become obsolete.

The loan was to fund 140,000 new digital lines in Lagos and other big cities; rehabilitation of satellite to earth stations; and expansion of long-distance transmission lines.

The cancellation is a setback for the telecommunications sector which was notorious for corruption in the 1970s but has shown progress since 1992.

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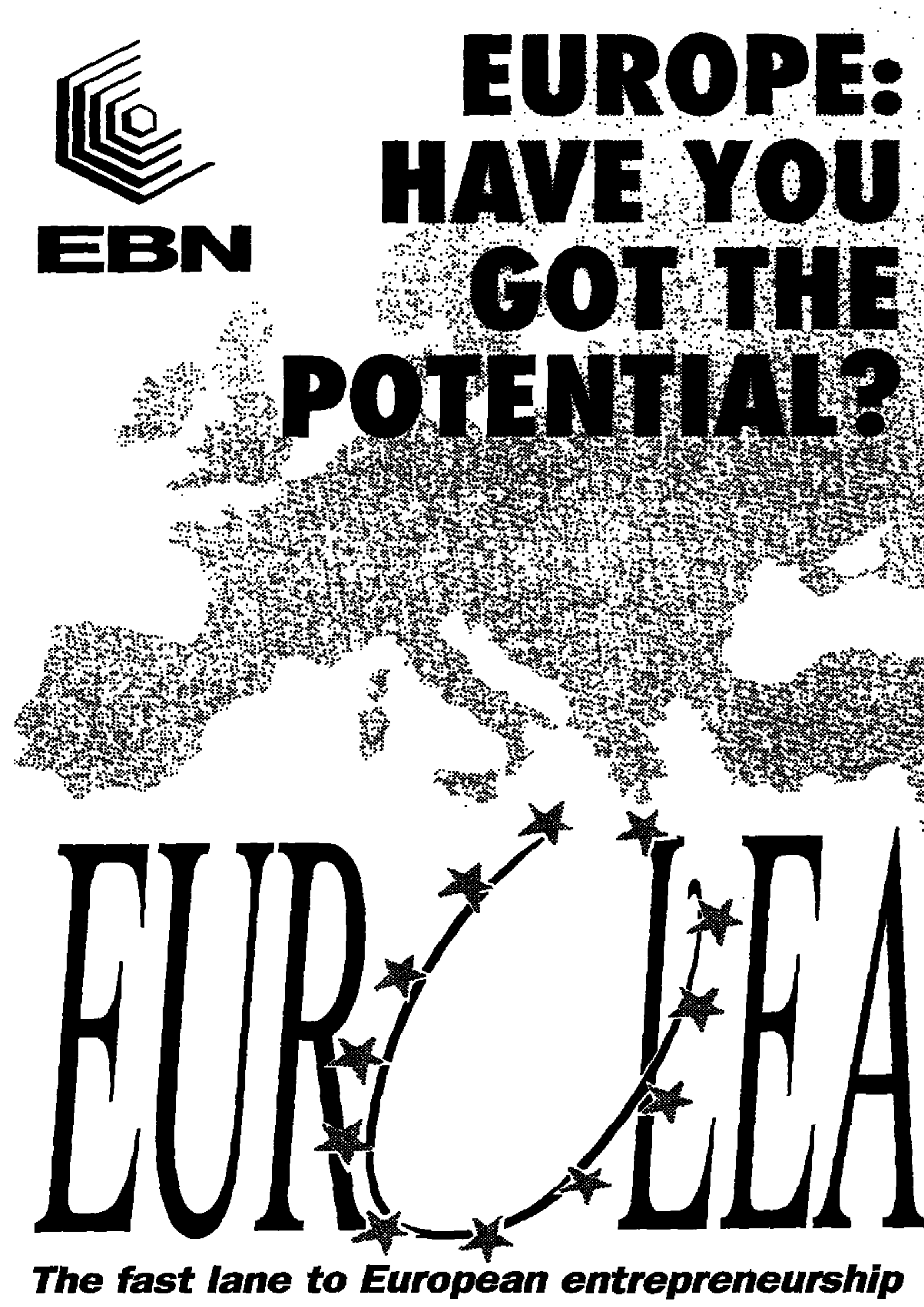

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Army training may move from Germany to Poland

By Bernard Gray, Defence Correspondent

British troops may start training in Poland if negotiations between the governments are successful. The discussions have started because training grounds in southern England might sustain unacceptable environmental damage if all exercises were completed in the UK.

Until now much army training has been done in Germany, but the withdrawal of large parts of the British Army of the Rhine to the UK means alternative exercise sites may need to be found.

The negotiations come as the army has reformed its command to reflect the fact that most troops are now in the UK. From April 1 all fighting soldiers will come under a new Land Command which will be the largest single spender within the Ministry of Defence with a budget of about £3bn ($4.77bn) a year. The new Land Command may find it difficult to complete its training needs close to home. Objections by local residents to land damage from tank tracks and shell impacts may limit the amount of training that can be conducted in the UK. The army is also using helicopters and aircraft much more heavily. It has just ordered a further 36 transport helicopters from Westland and Boeing and is due to be equipped with 91 anti-tank attack helicopters by the end of the decade.

Increased noise from helicopter and aircraft flights in the area around the main Salisbury Plain training area in southern England is likely to meet stiff resistance.

Poland could be used as a site for some of the new airmobile training, relieving the pressure on Salisbury Plain. The army already uses sites in Canada for some of its heaviest artillery and tank manoeuvres, but it still may have to find additional space.

The Polish government is keen to allow British troops to sites once used by Warsaw Pact forces. As well as leasing out the sites, UK training there would send an important political signal about Poland's ties to Nato members.

As the UK would be responsible for repairing any damage to Polish training grounds, however, British army officers do not wish to be allocated Warsaw Pact areas which had been heavily contaminated by previous exercises. Environmental damage by Soviet armed forces during the cold war has had a serious impact on several European countries.

Britain's new Trident submarine, HMS Vanguard, was damaged as it entered the King's Bay dockyard in the US state of Georgia to have its Trident missiles fitted. The secret propulsion system of the submarine was damaged when its sonar sensors, which are towed behind the submarine, were sucked into the motors. Ministry of Defence officials revealed the damage in evidence to the House of Commons defence committee on the progress of the Trident programme. The officials described it as a freak accident but Rear Admiral Richard Irwin, chief strategic systems executive, said it could recur in similar circumstances with a narrow river entrance and other traffic.

Nuclear Electric braced for break-up

By Michael Smith

Nuclear Electric, the state-owned electricity generator for England and Wales, told employees yesterday there was a "real prospect" that the company would be split up as a result of the government's nuclear review.

It said it would prefer to keep employees in a single company, owning advanced gas-cooled reactor stations and the Sizewell B pressurised water reactor station – and operating Magnox plants.

The comments, in an "update" to staff obtained by the Financial Times, are the strongest sign yet that the nuclear review will result in a significant re-organisation of the sector. Ministers are still debating whether Nuclear Electric and Scottish Nuclear, its Scottish counterpart, should be privatised. Mr Kenneth Clarke, the chancellor, is keen for a pre-election sell-off, but ministers at the Department of Trade and Industry are opposed or undecided.

Issues to be decided in the review include the ownership of Magnox stations, which are considered unprivatisable because of the size of their liabilities, and the relative size and shapes of Nuclear Electric and Scottish Nuclear.

Scottish Nuclear operates two power stations, against Nuclear Electric's 13, and would be difficult to sell in its existing form. In the update, Mr Mark Baker, executive director managing the company's response to the review, says it is unlikely the government will announce the results of its review before Easter. In its evidence to the review, Nuclear Electric acknowledged its eight Magnox stations could not be privatised.

Mr Baker says privatisation remains the company's top priority. "This has nothing to do with greed. It should be obvious to everybody by now the government will not allow the director of Nuclear Electric... to enjoy the easy pickings of earlier privatisations."

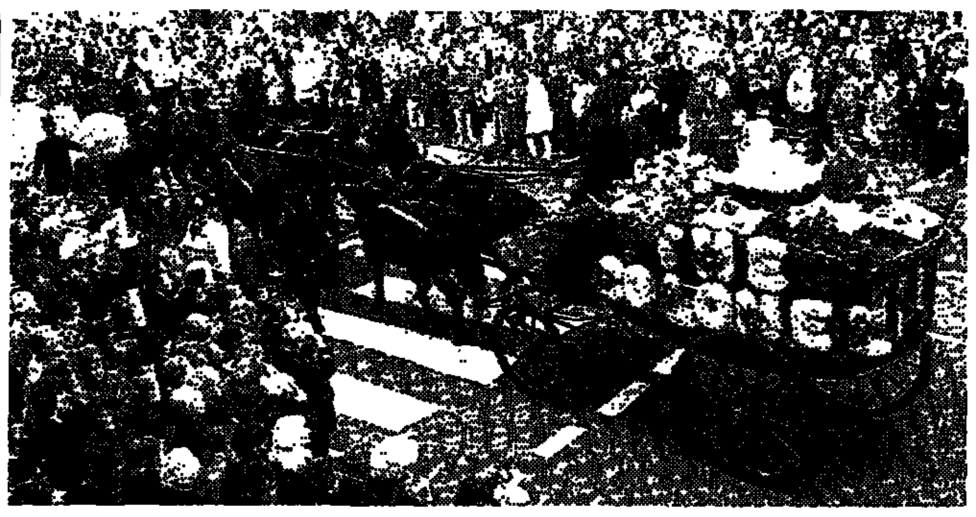
US-style pollution curb may be adopted

A system of tradeable pollution permits for companies which discharge waste and effluent into rivers is being considered by the government, our Resources Editor writes.

The system would be similar to the sulphur emission permits already traded in the US. In a tradeable permit scheme, the pollution regulator lays down a maximum level for emissions or discharges, and companies can buy and sell permits among themselves. Thus the total amount of discharge can be controlled.

The scheme would be launched by allocating to companies permits equivalent to their most recent authorisations. Companies with surplus pollution capacity could sell excess permits to companies which wanted to discharge more. The sulphur scheme would be simple to administer because the UK has a national "bubble" of sulphur which can be shared among all power stations and oil refineries.

River pollution permits could be traded only among companies discharging into a particular river – or even a particular stretch of river. However, tradeable permits are preferable to alternatives like a water pollution tax which would be passed through to customers and would drive up water charges.



Thousands of people lined streets in London's East End yesterday for the funeral of 1960s gangland boss Ronnie Kray – nicknamed the Colonel – who died in prison 12 days ago aged 61. His twin brother Reggie, released for the day from a prison where he is serving a sentence for murder, was treated like a returning hero. Crowds cheered enthusiastically wherever he appeared, always handcuffed to a prison officer. Ronnie's coffin was paraded inside a glass-walled hearse followed by black Daimler funeral cars and several Rolls-Royces. The flamboyant pair, who were accorded almost celebrity status in the "swinging London" of the 1960s, were sentenced in 1969 to not less than 30 years for two East End killings.

VSEL set to win $800m order for assault ships

By Bernard Gray, Defence Correspondent

VSEL, the UK submarine maker, is likely to win an order for two Royal Navy assault ships worth £500m ($800m) because it was the only shipyard to bid.

The Ministry of Defence had set a deadline of March 15 for bids to make the ships, which will replace HMS Fearless and HMS Intrepid. However, as the deadline approached it became clear no other yards were prepared to bid.

VSEL was then told by the ministry that it need not submit a formal bid because negotiations would start with the yard as a sole supplier.

The work is a boost for VSEL which is set to come under renewed attack from GEC and British Aerospace in coming months. BAe and GEC bid for the yard last autumn, but were referred to the Monopolies and Mergers Commission in December on the grounds, respectively, of national security and competition.

The commission is due to report by April 12 and a government decision is anticipated on the bids shortly after that. If, as expected, both companies are cleared to renew their bids, the assault ship order will add to the attractions of the yard.

Barrow is the only military shipyard in the UK large enough to build the assault ships since Swan Hunter in north-east England closed last year. However, GEC, which owns the Yarrow yard in Scotland, had been thought a possible bidder for the ships since it could have acted as a prime contractor which could subcontract hull construction to the Barrow yard.

Commercial yards might also have tendered for the ships, but the higher standard of military specification to withstand bomb damage might have been difficult to meet in a conventional yard. No commercial yards entered the competition and GEC's decision not to bid left VSEL as the only contender.

Under MoD rules, the contract will not be awarded to VSEL unless the yard offers an acceptable price.

Minister keen to step up attack on EU fraud

By Peter Marsh

Mr David Heathcoat-Amory, paymaster-general in the Treasury, chartered accountant and Eurosceptic, will today set out the government's uncompromising position towards spending by the European Union. He is to meet Ms Anita Gradin, the EU commissioner with responsibility for combating EU fraud.

Ms Gradin, a former foreign trade minister in Sweden, has taken over a new Brussels portfolio which includes anti-fraud measures as well as legal affairs and immigration.

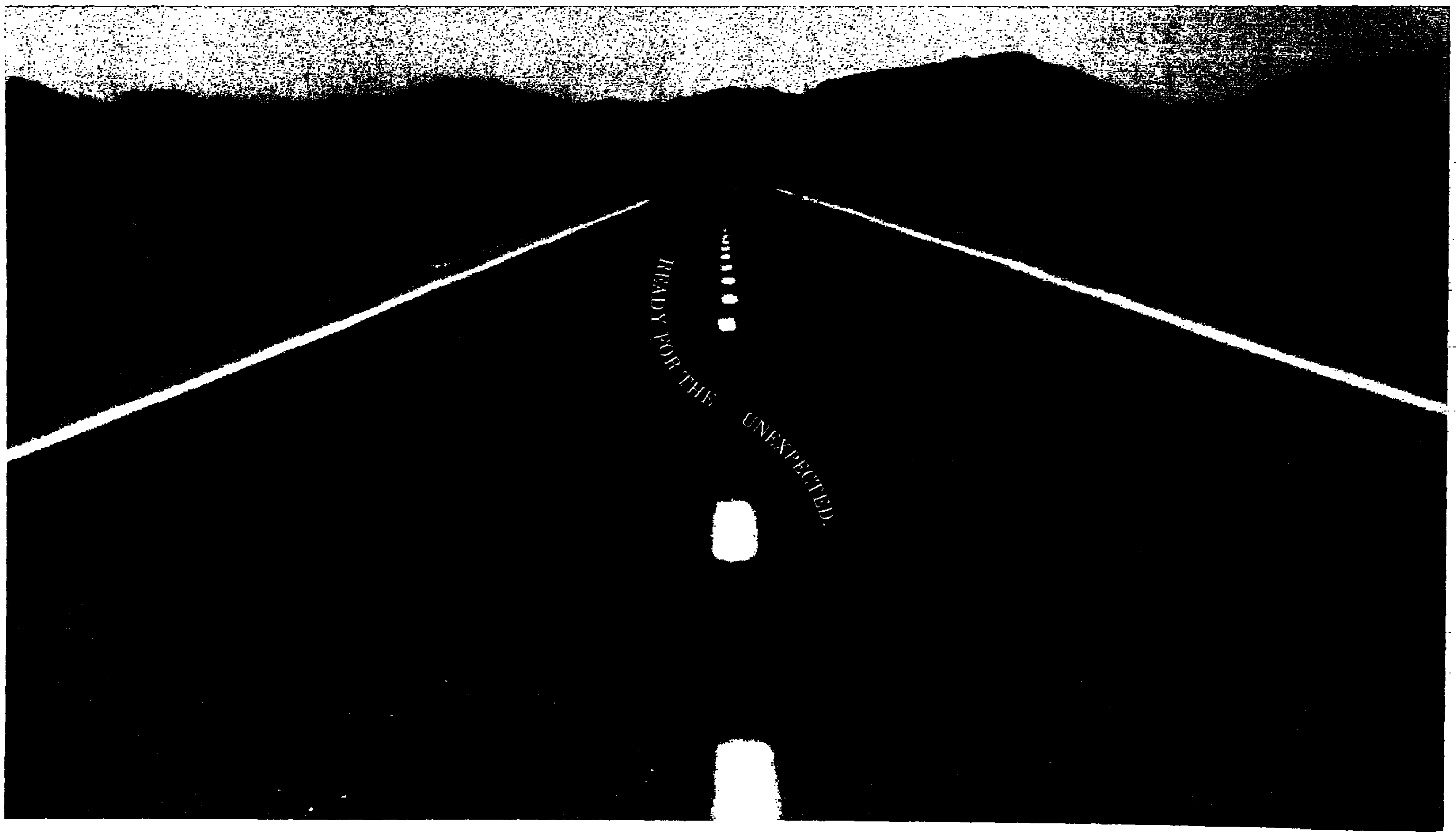
On a tour of European capitals, she is making her first official visit to London since she started her job in January. Today, fresh from introducing a report in Brussels yesterday indicating that detected EU fraud doubled last year to more than Ecu1bn, Ms Gradin will talk briefly to Mr Kenneth Clarke, the chancellor, before having a more detailed discussion with Mr Heathcoat-Amory, his more junior colleague. The commissioner's job makes her an important potential ally in efforts of the British government to improve financial management across all areas of the EU's Ecu81bn annual budget. The total EU cash being spent outside a strict interpretation of European Commission rules – which includes an ill-defined amount of deliberate fraud – is thought by some to total between Ecu2bn and Ecu8bn a year.

'Mr Delors was good at a lot of things, but enforcing budgetary discipline wasn't one of them'

Mr Heathcoat-Amory's responsibilities include safeguarding Britain's £2.8bn annual contribution to the EU budget. He was shocked by last November's annual report by the Court of Auditors, the EU's main financial watchdog, which was scathing about the extent of the irregularities. They range from lack of application of financial guidelines by officials in EU member nations to cases of fraudsters inventing false crops. He says many member governments used to feel that fraud should not be discussed because it would bring discredit on the Union.

Mr Heathcoat-Amory is firm in his praise for Mr Jacques Santer, the EU president, though cannot resist a dig "President Delors was good at a lot of things but enforcing budgetary discipline wasn't one of them. Mr Santer is much more interested in financial management and ex post audit."

He says the new Santer-led crop of commissioners is talking about new efforts to quantify benefits from spending rather than the "fire and forget" approach of the past. He is looking forward to the June Ecofin meeting of the 15 EU finance ministers, at which they will each report on domestic arrangements for tackling fraud and mismanagement involving EU cash.



How can a healthy company suddenly find itself on the skids? Quite easily, considering that it's constantly faced with making difficult decisions where the consequences often lie hidden round the bend. If the market drives off in an unexpected direction, management can only watch anxiously as cash flow erodes and nervous investors unload stock. It's a bumpy road, until repairs begin to have their effects. There is no guarantee that your decisions will lead you in the right direction. There can, however, be a safety barrier to help you control their consequences. We call it financial risk management. It goes without saying that only a leading global insurer has the strength to provide the tools for financial shock absorption. By the same token, we feel we have a more urgent obligation than others to come up with new ideas. Especially if they are directed at minimizing our customers' risks.

ZURICH INSURANCE GROUP

Warning of a 'marginal' Britain

By Guy de Jonquières, Business Editor

Britain will be marginalised in Europe and ignored by the rest of the world unless it quickly comes to terms with the economic realities of EU membership, Mr Peter Bonfield, chairman of ICL, the computer company, said yesterday.

With Mr John Major, the prime minister, looking on, Mr Bonfield told the Britain in the World conference in London that the UK risked fatally undermining its position in Europe by continually questioning the EU as a political and economic unit.

"This is naive and dangerous. If we want to be taken seriously on the world scene, we need to start by getting our house in order in Europe," he said.

Mr Bonfield did not specifically criticise government policy but his speech was one of the strongest public attacks yet by a senior British industrialist on the UK's approach to its role in Europe.

Britain in the World Conference, London

The need for Britain to reaffirm its commitment to the EU was also emphasised by Mr Howard Davies, director-general of the CBI, and Dr Horst Teltschik, a director of BMW.

Mr Bonfield said: "We are a European power but every time our partners in the EU feel the UK is again turning its back on Europe, we marginalise our role within Europe. That inevitably weakens our role globally."

Britain would damage its prosperity if "blind pursuit of national sovereignty" led it to stay out of economic and monetary union. The idea that it was better to leave sterling to the mercy of international markets was mistaken, he said.

However, Britain might be wise to opt out of Emu if excessive haste to put the policy into effect threatened its success and the economic stability it was intended to achieve.

Ms Haruko Fukuda, vice chairman of Nikko Europe, an arm of the Japanese securities house, said Japanese companies with plants in Britain would prefer the UK to stay outside the single currency because they wanted to benefit from a competitive exchange rate.

The chairman of ICL, 80 per cent owned by Fujitsu of Japan, said continuing uncertainty about Britain's relations with the EU would damage the country's position as the biggest recipient of inward direct investment from outside the region.

However, Ms Fukuda said many Japanese companies had been drawn to Britain by factors such as language, employment costs and the attitude of the government, as much as by the desire to have a presence inside EU tariff walls.

Gooda Walker Names win partial victory in court

By John Mason, Law Courts Correspondent

Gooda Walker Names yesterday overcame a further hurdle in their legal battle to receive some of the damages won in last year's High Court case against Lloyd's agents.

However, a High Court ruling made yesterday represented only a partial victory for the Names – individuals whose assets have traditionally supported the insurance market – who now face a wait of years before receiving the full amount they are entitled to.

LLOYD'S
LLOYD'S OF LONDON

A High Court judge ruled in London that the Gooda Walker Names, among the worst-hit members of Lloyd's, could soon receive damages for past claims made against them. The Gooda action group, chaired by Mr Michael Deeny, represents the biggest campaign for compensation ever fought by Lloyd's Names.

A ruling on the precise amount to be paid is expected within the next fortnight.

However, Mr Justice Phillips said damages for estimated future claims against them could not be paid now, but would have to be reviewed in court hearings as the scale of the claims became apparent.

The damages relating to past claims amount to some 75 per cent of the Gooda Walker Names' total claim for £459m ($734.4m).

However, the ruling over future claims could place Gooda Walker Names in a weaker position if the "first past the post" system for paying damages to different groups of Names remains in place. The "pot" available for damages might be exhausted before the court hearings take place.

Mr Justice Phillips also ruled in favour of the agents' insurers over a number of technical points concerning the way the size of the damages are calculated. A further reduction in the order of tens of millions of pounds is thought possible.

The Gooda Walker Names face further legal hurdles before they receive any money. The Court of Appeal has still to decide whether the "first past the post" system for distributing damages should continue to apply.

The payment of any damages awarded to Gooda Walker Names following yesterday's ruling is expected to be put on ice until a judgment planned for April 26.

'He was clearly there,' says chairman of company

Finance minister denies role in arms sale to Iran

By John Kampfner, Robert Peston and Jimmy Burns

Mr Jonathan Aitken, a junior finance minister in Mr John Major's Conservative government, last night made a detailed denial of allegations that as a director of arms company BMARC in the late 1980s he was implicated in the sale of naval guns to Iran in possible breach of an embargo. He said last night: "I am not aware of, and have never been involved in, any wrongdoing in relation to this or any other contract."

Downing Street said it accepted Mr Aitken's version of events. A senior official said: "He [Mr Aitken] has issued a denial. That is all there is to it." He added that the prime minister had "full confidence" in Mr Aitken.

Mr Aitken was responding to allegations made by Mr Gerald James, chairman of Astra Holdings, the company which owned BMARC, that the junior finance minister had attended a BMARC board meeting during which the allegedly illegal arms shipment was discussed. In a BBC interview, Mr James said: "He was clearly there. He was there for four hours."

However, Mr Aitken said it was neither his recollection nor that of three other BMARC directors that he had been present at any board meeting which discussed the contract, known as the Lisi contract.

Mr Aitken's version of events was backed by Brigadier Charles Smith, who ran BMARC's main ammunition plant.

Brigadier Smith said: "I had no idea that the guns and ammunition for Project Lisi were going to Iran, and I don't think anybody else in the company knew at the time. As far as we were all concerned we were exporting to Singapore."

He added: "Project Lisi was discussed by directors, but I don't think it meant much to Aitken. There was nothing to draw his attention to it."

Mr Aitken was a non-executive director of the British Manufacturing and Research Corporation, BMARC, an arms company based in Grantham in eastern England from 1988 to 1990.

Mr James said: "The official end-user, like so many contracts which all the major British arms or defence manufacturers have had, was Singapore. But it was quite clearly going to Iran. It was common knowledge it was going to Iran."

The opposition Labour party last night pointed to the "manifest inconsistencies" in the different version of events at BMARC and wrote to Mr Major calling on him to "set up an immediate specific inquiry into this issue".

Mr James said his firm had never concealed any of its dealings from the government. He said: "We always made full disclosures as far as we were concerned. I mean the Foreign Office, the DTI [Department of Trade and Industry] and everybody else knew about these contracts, so we merely continued with them."

Mr Aitken said that in demonstration of "good faith" he was sending information to Lord Justice Scott, who is in charge of a government inquiry into breaches of the embargo on arms sales to Iraq and Iran.

A spokesman for the Scott inquiry said last night "there was nothing new" in the allegations, which were first made yesterday in The Independent newspaper.

Lord Justice Scott began to examine evidence relating to BMARC and Mr Aitken more than a year ago. The judge is satisfied on the basis of substantial documentation he has examined that Mr Aitken is not responsible for any alleged breach of government regulations restricting defence exports.

UK NEWS DIGEST

Charity is squeezed by Lottery

THE NATIONAL LOTTERY

A cancer research charity is closing a lottery it has run for 15 years because income has slumped since the launch of the national lottery. Eight of the 22 full-time staff and 500 part-time sales people for Tenovus based in Cardiff will be made redundant. The lottery, the UK's largest for medical research, sold up to 8m instant-win scratch cards a year at supermarkets in England and Wales. Last year it accounted for half of the charity's income of £3m ($4.8m).

The decision to end the Tenovus lottery, which has raised a total of more than £10m, was taken after the launch of the National Lottery's scratch cards earlier this month. These carry a top prize of £50,000, whereas Tenovus had a monthly top prize of £5,000 or a car.

Mr Michael Downs, organising secretary, said yesterday: "Since the launch of the National Lottery we have lost the majority of our retail sites and seen a 25 per cent fall in sales at our few remaining outlets. The launch of the scratch cards is the final straw."
Roland Adburgham, Wales and West Country Correspondent

Concern over tunnel safety run-down

Safety officials presenting evidence to MPs probing cross-Channel safety disagreed yesterday over plans for sharp cuts in the number of staff required to supervise safety procedures in the Channel tunnel.

Mr John Henes, UK chairman of the Anglo-French safety commission supervising the Channel tunnel, told the Commons transport committee that the number of UK support staff working for the commission was due to fall to five fulltimers from 15 at present and 25 at its peak. One additional person will work part-time. At the same time the number of French support staff working for the commission will also fall, Mr Henes added.

But Mr Edward Ryder, UK head of the Channel Tunnel safety authority, which advises the commission on safety matters and investigates incidents, in later evidence revealed concern about the speed of the run-down. *Charles Batchelor, Transport Correspondent*

Insurer cuts premium rates

Commercial Union, the largest UK-based composite insurer, yesterday announced premium rate cuts of up to 11.5 per cent on selected home and motor insurance policies. The move reflects competition fuelled largely by telephone-based direct selling insurers. Many policyholders holding both building and contents policies will have 5 per cent discounts. There will also be lower household policy rates for over-45s. Cuts of up to 11.5 per cent will be introduced on larger cars.
Ralph Atkins, Insurance Correspondent

Scots population increase predicted

Scotland's population, which had been predicted to decline during the 1990s and drop below the psychologically important 5m mark by 2006, is now expected to continue rising marginally until 1996 and remain steady till the end of the century, according to estimates. The population rose in the four years to 1992 thanks to small net migration gains and an excess of births over deaths. It is expected to rise from 5.11m in 1992 to 5.15m in 1996. *James Buxton, Scottish Correspondent*

Dog charity set for welfare row

The animal welfare lobby yesterday looked set to initiate another row in Europe as activists launched a campaign against EU support for Irish greyhounds imported into the UK.

The National Canine Defence League, Britain's largest dog welfare charity, has called on the Irish government to abandon plans to subsidise greyhound breeders. As thousands of retired racing greyhounds are abandoned or put down each year in Britain, according to the league, the lobby is particularly outraged that the subsidies are half-funded by the European Union.

Ms Clarissa Baldwin, the league's chief executive, said: "British taxpayers would be appalled if they were aware that their money was being used to increase the numbers of greyhounds in Britain, when so many meet a cruel and untimely death." *James Harding*

Iraqi "supergun" on show: Sections of a "supergun" impounded by British Customs before the Gulf War went on display in a new wing of the Royal Armouries museum. The wing is at Fareham on the south coast of England about 100km from the museum's headquarters in the Tower of London.

Ramblers attack "rip-off": The Ramblers' Association, which campaigns for greater public access to the countryside, described as "a scandalous rip-off" a government scheme to pay landowners for allowing temporary public access to their estates. It said most of the sites for which the government had paid a total of £8m ($12.7m) were either already open to the public, kept secret or blocked by locked gates and other obstacles.

Mass murder suspect cremated: Frederick West, who was accused of murdering several young women including his own wife was cremated in a simple ceremony at which no hymns were sung at the request of his family. West was found hanged in a prison cell on New Year's Day; his second wife Rosemary awaits trial for 10 murders.

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TECHNOLOGY

Betting on digital

Robert Patton previews a Las Vegas performance which may transform the video world

On April 10, a leading Japanese company will be taking a gamble at Las Vegas, though not the sort normally associated with the desert resort.

Matsushita Electric Industrial of Osaka will demonstrate to broadcasters at the NAB conference in Las Vegas, a prototype of a forthcoming line of digital video camcorders and VCRs based on a new type of 6.35mm compact videotape cassette.

Matsushita, best known for its Panasonic brand consumer products, is gambling that it will capture half the market for professional electronic news gathering equipment, a field now dominated by Sony's 12-year-old Betacam format. In 1993, Sony introduced a digital version of Betacam and, although expensive, the product has sold briskly.

But, when Matsushita's first digital camcorder ships this autumn, it will sell for Y2m, (£14,000) about 70 per cent less than the current price of a Sony digital Betacam. There is also a good chance that, by launching its new DVCPRO professional digital video line, Matsushita will, intentionally or not, hasten the arrival of digital video for consumers.

Along with reduced cost and size, DVCPRO equipment offers a degree of backward compatibility with a digital recording standard that was proposed a year ago by the HD Digital VCR Conference, an international consortium that includes most of the world's consumer electronics companies.

That compatibility is no accident. In devising its new professional format, Matsushita engineers used the same 6.35mm tape width, the same track format and an almost identical 10-track-per-frame tape pattern. In fact, the professional DVCPRO format differs from the proposed format for consumer digital VCRs in only one important respect.

Where the consumer version uses tracks that are 10 microns wide and runs at a tape speed of 18.8mm per second, DVCPRO uses 18 micron tracks at a higher speed of 33.8 mm per second. To read the narrower tracks of the consumer version, all that is needed is to slow the DVCPRO to 18.8 mm per second.

It would be a simple matter to give the DVCPRO the ability to record tapes to the consumer standard, although Matsushita has not yet announced plans to do so. Sony has recently unveiled a prototype and it could have a product on the market within a year or two.

The first DVCPRO camcorders will weigh about 5kg. By mid 1996, Matsushita hopes to reduce that to about 3kg. Eventually, say company technical personnel, the small cassette will combine with a trend toward miniaturisation to create professional camcorders weighing as little as 1kg.

Recent progress in digital video disk technology has led – misleadingly – to predictions of the imminent demise of video tape. However, neither of the two competing digital video disk formats allows users to record their own programmes and, as much as motion picture studios may hate to admit it, that is an important feature for most consumers.

For professionals, recording is extremely important. No longer limited to networks, TV stations and video production companies, video journalism and production is now being carried out by a growing number of freelance video journalists who film their own interviews, edit in the field and transmit electronically to TV stations and networks.

That is where digital technology comes in. The video most commonly used is analogue; the magnetic patterns recorded on the tape mimic the electrical patterns that make up the composite audio and video signal.

With digital recording, there is no longer a physical resemblance between the two. Instead, analogue video and audio signals are converted into a digital format. Analogue signals are weakened by long-distance transmission and adulterated by the random electrical noise that is always present on communications lines and in the atmosphere. Digital signals, on the other hand, are easily separated from noise signals and easily restored when weakened by line losses during transmission. Most importantly, digital signals can be compressed so that more information can be recorded on the same tape or transmitted in the same length of time.

Compression provides a number of important benefits to both amateurs and professionals. In addition to increased recording time on digital media, compression allows moving video images to be sent in real time over telephone lines. Because the digital signals can be processed in the same way as computer data, they can be processed and distributed over networks using servers not that different from those used in local area computer networks.

During the Gulf War, CNN was able to transmit video from Baghdad because journalists smuggled in an expensive and heavy satellite telephone. Future video journalists, using only digital equipment and a special modem link to a telephone, will be able to file stories over voice telephone lines.

How good can the quality of a home use digital video system be?

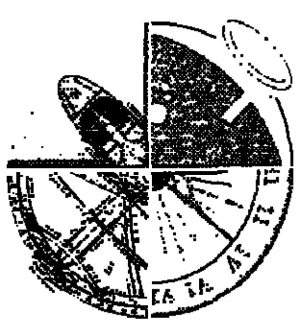
Picture quality could become comparable to the current professional-use standards recommended by the International Electronics Commission.

Although digital consumer videotape recorders are not yet available, Sony showed a prototype at the Winter Consumer Electronics Show in the US in December and a commercial version may be announced sometime this year.

Amateur video has already become commonplace on network news programmes because of the ubiquitous camcorder and because professional TV news teams cannot be omnipresent.

The day is fast approaching when amateur footage, shot with consumer digital camcorders, becomes almost indistinguishable from the footage of the professionals.

Worth Watching · Vanessa Houlder



Tree gene help for paper-makers

Genetically-modified trees are being developed that could cut the amount of bleach and energy needed for paper manufacturing.

Zeneca, the UK bioscience group, has isolated a gene that suppresses the enzyme cinnamyl alcohol dehydrogenase. If this gene is added to the plants, it makes the lignin easier to remove from cellulose in the paper-making process.

Zeneca has linked up with Nippon Paper Industries, the Japanese paper maker, and Shell Research, part of the oil company, which have developed the ability to insert the gene into certain trees, such as eucalyptus and poplar. They also manage plantation forestry programmes, through which the technology may be commercialised by the late 1990s.

The gene technology results from a co-operative research effort, which was conducted as part of the EC's Eclair research programme.

Zeneca: UK, tel (0)1344 414136; fax (0)1344 413646

Thermosetting polymers re-use

Thermosetting polymers, which do not melt once they have been formed, are being used more widely by high technology manufacturers because they are stable, heat resistant and light. However, they are expensive and – until now – could not be recycled.

German scientists at the Fraunhofer Institute for Applied Materials Research in Teltow have found a way of re-using the polymers. When a reagent containing amine is added to the polymer, it forms a new material which can be used in other thermosetting resin formulations. Although its properties differ from those of the original material, they can often be used for the same purpose.

Fraunhofer Institute for Applied Materials Research: Germany, tel 332846284; fax 332846282.

Taking people out of vaccines

Vaccine production is usually a labour-intensive business. But robots, which are faster, more consistent and less likely than people to contaminate the product, are starting to make inroads into the process.

Merck, the US pharmaceutical company, has adopted an automated cell culture system for the production of Varivax, its chicken pox vaccine, which has just won approval from the US Food and Drug Administration.

The system was supplied by the Technology Partnership, a UK-based high technology business, which adapted robots originally used for semi-conductor production for vaccine production. Its Cellmate system comprises a computer-controlled robot and process equipment contained within a cabinet, which is kept clean using a continuous flow of filtered air.

The Technology Partnership: UK, tel (0)1763 262626; fax (0)1763 261582

Biotechnology woos UK industry

The UK government has launched a £10m campaign to persuade industry to make more use of biotechnology, writes Clive Cookson.

Over the next four years the Biotechnology Means Business initiative will inform a target audience of 74,000 companies, large and small, in sectors from paper and textiles to mining and refining, about the benefits of biotech. It will put potential users in touch with suppliers and consultants, and will offer specialist literature, seminars and technical support.

BMB Initiative: UK, tel 0800 432100 or (0)181 943 7386, fax (0)181 943 7304.

Different ways with 3-D systems

A plethora of different three-dimensional display systems have been announced recently by leading manufacturers such as Sony, Sanyo and Sharp.

Another approach has been adopted by a small, London-based holographics company. Richmond Holographics Studios has designed a visual display which creates its 3D effect using the light-modulating ability of holographic optical elements. The system, which is relatively low-cost and requires no viewing aids, such as glasses, is being used for training surgeons.

Richmond Holographic Studios: UK, tel (0)171 739 9700; fax (0)171 739 9707

Hidden messages

Emiko Terazono on the use of subliminal texts in music

Although the use of subliminal messages in advertising and heavy metal music has stirred up controversy in the past, Victor Entertainment, the software subsidiary of Victor Japan, the Japanese consumer electronics manufacturers, says it can be used in a constructive way.

The company has developed music software which offers the subconscious mind positive suggestions. The company currently has 33 compact disc titles in its Mind Control series, with message categories which help listeners lose weight, stop smoking, concentrate, or simply relax.

The messages are recorded, along with ordinary music, but at high frequency levels, which the average human ear does not hear. "People can usually consciously hear sounds between 8,000Hz and 12,000Hz. The messages are in a band of 18,000Hz to 20,000Hz which is caught by the subconscious mind," the company says.

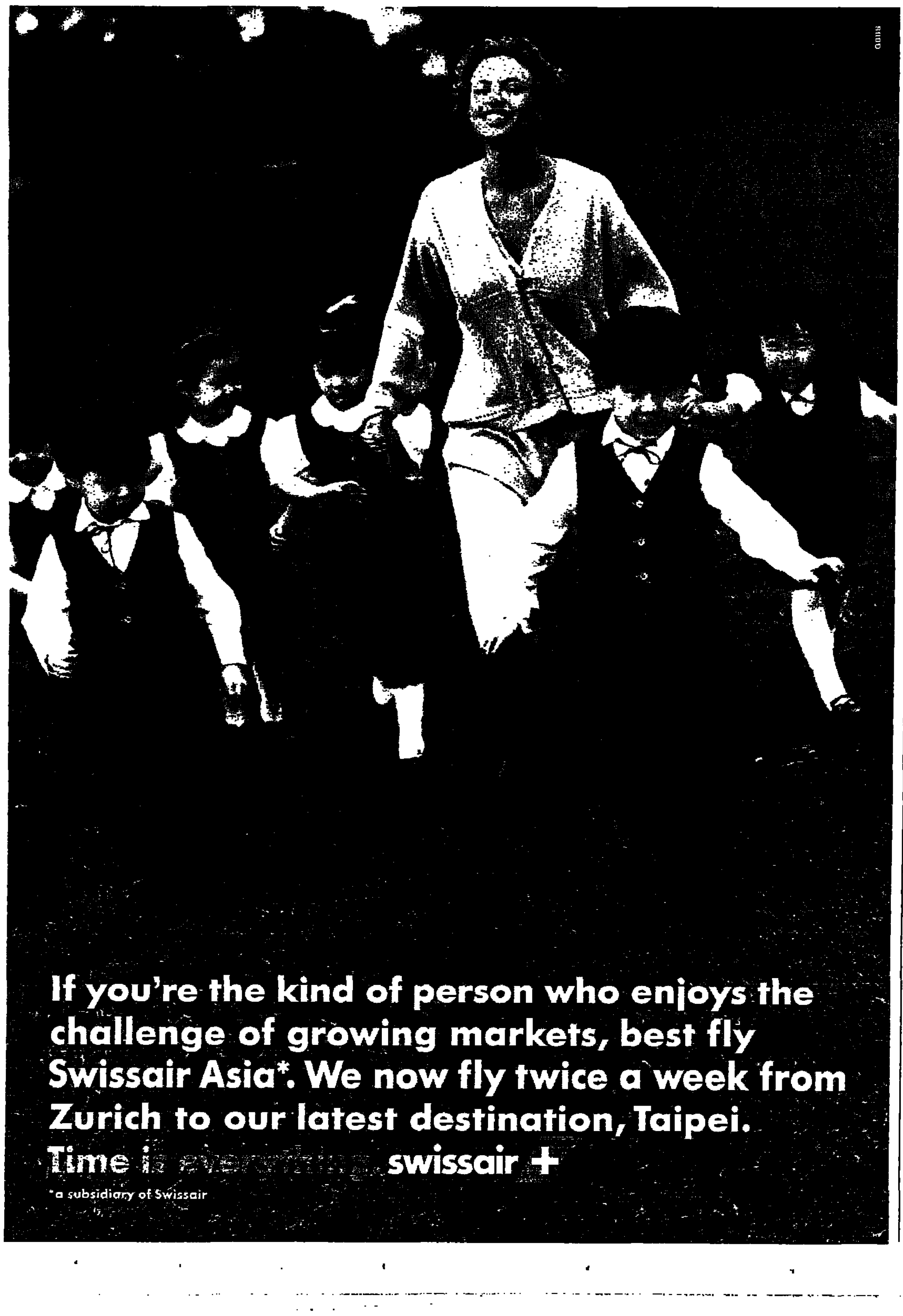
Victor has a CD which offers subliminal sounds of the womb for mothers trying to calm wailing babies, while students cramming for exams are subliminally offered appropriate sounds. The music is mostly electronic, but Victor also has acoustic music for those "unplugged" buffs.

In choosing the messages, the company has worked with a group of psychiatrists and composers, dealing with stress management. Subliminal suggestions including dieting and weight loss, for instance need to be handled with care, since a message telling the listener to "stop eating" could possibly lead to eating disorders.

Victor's most recent software aims to prevent shoplifting. Supermarkets and other retailers in the US have been using subliminal messages in piped music to stop theft since the 1980s. In an experiment conducted in 1986 in New Orleans, subliminal persuasion helped a 40 per cent decline in shoplifting, and a 60 per cent fall in theft by employees.

Victor says the CD, which is recorded in 8 languages – Japanese, English, Chinese, Thai, Korean, Arabic, Persian and Spanish – has shown strong sales since its introduction last November. "We've put in messages including 'shoplifting is a crime' and the sound of a police car," it says.

Victor Entertainment: Japan, tel 3 5410 7129; fax 3 5410 7150



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HA

ARTS

Cinema/**Nigel Andrews**

Sporting politics for black Americans

HOOP DREAMS
Steve James, Fred Marx, Peter Gilbert

JUST CAUSE
Arne Glimcher

FIORILE
Paolo and Vittorio Taviani

The black man's burden is carried by two American films this week. Since the civil rights 1960s, cinema has moved away from righteous simplification and utopian vision. Martin Luther King's "I have a dream" has turned into "I have a recurring nightmare" (*Just Cause*) or "I have trouble getting to sleep altogether" (*Hoop Dreams*).

Hoop Dreams is a three-hour documentary about basketball. If you are already turning the page, desist: this is a restless, irresistible film. It won rave reviews in America and came close to getting a Best Film Oscar nomination. Basketball is merely the trade and outward tackle of a larger human tragicomedy, much as whaling is in *Moby Dick*.

Co-makers Steve James, Fred Marx and Peter Gilbert follow two black Chicago teenagers, talent-scouted in the early scenes, through four years of hope and heartache, of warring families and torn cartilages, of sudden trophies and college contracts.

The film is so brilliantly edited, slashing 250 hours of footage into a mercurial 170 minutes, that it never seems trapped by any one subject at one time. It slides deftly between its two neighbour stories. William Gates is the boy with the settled home life and the look of gentle, smiling forbearance. You sense he will be the under-achiever. Arthur Agee is self-confident, sly-lidded, quicksilver. Born of a nursing mother and an ex-convict, ex-crack addict father who has now taken up religion – crooning out solo "spirituals" at the local church – the boy looks sure to be either a sporting genius or a delinquent.

Hoop Dreams was originally planned as a half-hour film with a thematic agenda. It is still about the merits and evils of sporting scholarships: the dangling of educational benefits to coax black youths out of one ghetto into another, the world of black-dominated sport. Film-maker Spike Lee of *Malcolm X* even makes an brief appearance, using a celebrity visit to a basketball summer school to mouth off about the commercial motives of colleges who headhunt for black sports prodigies.

But a wonderful, scat comedy has crept into the sociologising. We see the two boys being wooed by anxious scouts. We watch their bid to achieve barely-passable academic results (Arthur sits in his bedroom wrestling with an essay on "The life cycle of the butterfly"). We listen to the wailing and worrying of their parents, who talk to the boys or to the camera as if any audience will do for their arias on an unfair world or an unpredictable son.

Facial reaction shots are cut into the film almost subliminally, enriching the human texture. Look at the ebb and flow of agony on the coaches' faces during the games. Or watch for Arthur's tell-tale mini-second grimaces at home, as his estranged father offers career advice in a specially convened family summit: specially convened by Dad, we suspect, for the camera crew.

When success is glimpsed as a possibility for one family member, the rest of the family crowds to get in on the act. Arthur not only carries his parents' hopes; he lives the dreams of his failed older brother, a one-time basketball hopeful now turned overweight couch potato.

The "message" about underprivileged lives in *Hoop Dreams* is that successful children become beasts of burden; their task is to carry everyone else's yearnings and ambitions out of the ghetto. The film's only fault is that it ends up half-endorsing this success ethic. As Arthur's story soars, William's story declines. By the close he has all but vanished – or he has been reduced to the movie's Cheshire Cat: a disembodied grin haunting the bleachers while his co-hero triumphs in the state schools championship.

Hoop Dreams gives a wonderful human particularity to sport and sporting politics. But it too, we feel, succumbs at last to the big emotion, as one black American's dream takes its mythic stride towards the "American Dream."

No simple-minded tale of race prejudice: Sean Connery and Ruby Dee in 'Just Cause'

"Every once in a while you gotta get a little bloody," says Kate Capshaw to her husband Sean Connery in the murder thriller *Just Cause*. Connery arches an eyebrow and curls a lip. The Scottish-born Harvard law professor is nervous of jetting off to the Everglades to investigate – at a tearful black woman's recent request – a seeming miscarriage of justice. The woman's son has been sentenced to the chair for raping and murdering a white girl. But did he do it? Or was a false confession beaten out of him by sadistic Florida cop Laurence Fishburne?

Since Fishburne is also black, this is no simple-minded tale of race prejudice. Instead the simple-mindedness is transferred to the visuals. Director Arne Glimcher, adapting a bestelling novel by John Katzenbach, turns southern Florida into a place of wildly overwrought deviltry. Alligators with luminous eyes; a serial killer (Ed Harris) with satanic underlighting; and all hell let loose in the final showdown as everyone thrashes about in a midnight swamp braving guns, 'gators and B-movie dialogue.

The black-versus-black perspective is the only novelty and the only motif left teasingly understated. Fishburne's sadist in a fancy hat – does the Miami police department really encourage such psychedelic hatbands? – could be a rogue "ethnic" corrupted by the traditions of white American law-keeping. Or he could be a natural born brute in his own right. And the young man on Death Row could be a race-persecuted innocent or the real killer.

That we do find out; though I cannot reveal the dénouement, being under pain of death from the distributors. *Just Cause* rumbles along enjoyably enough. It is helped by Connery's spry authority as chief sleuth and by the film's spry ambiguity over whether it is a murder romp to which race is irrelevant, or whether it is part of a new genre of black discontent suggesting the rise of ancestral grievance on both sides of the law.

Fiorile, by the Taviani brothers, is also high on ancestral grievance. We feel we are drowning in the tide of multi-generational doom as a family curse works its evil across a hundred years. Stolen gold; Napoleonic firing squads; poisoned siblings; Nazi resistance; all wrapped up in deceptively pretty Tuscan scenery.

There is much rough magic in the camerawork, as we expect from the makers of *Padre Padrone*. But there is little emotional magic. With a plot as many-chambered as this, we have no time to care about one set of characters before the next is being wheeled on for our inspection.

Concert

Visitors from Amsterdam

How much time it spends on the road seems to be a measure of an orchestra's standing at the moment. Like errant spouses, the top international orchestras are straying for ever longer periods away from their faithful audiences at home.

The Royal Concertgebouw Orchestra proclaims proudly in the brochure for its current tour that it is giving no less than 40 concerts around the world this season. This must amount to no small outlay for its financial providers, both in the public and private sectors. The foreign concerts are grouped in series, presumably after the same programmes have first been performed in Amsterdam, a few of them with Georg Solti but most with Riccardo Chailly, the orchestra's principal conductor.

The appointment of Chailly in 1988 (the first non-Dutch conductor to hold the post) has proved a good choice. As one might expect of an Italian, he brought with him a keen ear for clarity and detail, lightening the orchestra's sound without losing the tonal blend which was its hallmark. In Amsterdam he seems to have adopted the admirable Dutch spirit of give-and-take, in harnessing the orchestra's noble tradition rather than seeking to overturn it.

Unfortunately an air of compromise sometimes stifled these performances. To open the all-Beethoven first half, we had an unexciting *Egmont* Overture, not burning with molten lyricism as it once was under the Italian Giulini, nor trenchant as under the Dutch Haitink. Somehow there was more time than one needed to admire the inimitable sweetness of the Amsterdam strings and the remarkable unanimity of the wind section.

The most memorable performances of the Third Piano Concerto are also often those which go out on a limb, either ferociously on the attack or lyrically submissive. Chailly and his soloist, Maria Joao Pires, are too thoughtful as musicians to allow the concerto to become so one-sided. Give-and-take was very much in evidence here, with Pires often allowing the orchestra's fine soloists to take the lead, but among much that was praiseworthy there were few strong ideas on which to focus interest.

Strauss's *Ein Heldenleben* immediately set out with more purpose. The cellos dug into their opening phrases with some swagger, the violins surged upwards arrogantly, and the discretion of the brass was appreciated even more than before ("don't look at the brass", Strauss warned, "it only encourages them"). As a Straussian, Chailly combined his innate good sense and musicianship with enough panache to lift the concert to a distinguished level. After London the orchestra moves on to the US and Canada. A shame they will not be at home to see the tulips bloom.

Richard Fairman

Sponsored by EVC

Sarah Hemming on two witty theatrical responses to the horrors of totalitarianism

A good Nose job

For his inaugural production as the new artistic director at Nottingham Playhouse, Martin Duncan has picked *The Nose*. Gogol's absurd short story about a nose on the run is a savage indictment of the social inequality and dehumanising bureaucracy in 19th century St Petersburg. It portrays the same lurid, grotesquely funny and heartless world as *The Overcoat*, which is more frequently adapted for the stage, but from a different social viewpoint. In *The Nose*, a high-ranking civil servant wakes one morning to discover that his nose has taken a break from his face in a most inconvenient manner; his frantic attempts to sniff it out lead him into a nightmarish fantastical world.

It is a delightfully funny story and fiendishly difficult to catch on stage. Duncan's exuberant production and Alistair Beaton's script go a long way. Beaton's writing is spry, witty and buoyant, peppered with gags and puns, with quick-fire dialogue and sudden comic changes of style, while Duncan's production is nimble, funny and inventive, played out against Tim Hatley's atmospheric set of gigantic steps and drawers, that wheel around to create corridors of power and suggest a seething, Dickensian world of dark interiors.

Beaton's adaptation starts from the nasal perspective. In the house of an impoverished barber and his wife, the runaway proboscis turns up in a bread roll. They try to dispose of it, but the nose, which now has the scent of freedom, snuffles off into the night. Cut to the home of Kovalyov, the collegiate assessor and the tiresome owner of the gadabout snout – the sort of fellow whose face you would swiftly vacate if you were a nose.

Seized with despair at his plight, the collegiate assessor begins a hunt which brings him across so many faceless bureaucrats that to be noseless begins to look like a relatively trivial dilemma. The nose, meanwhile, has grown, acquired airs and taken to sauntering around St. Petersburg dressed as a top civil servant. When Kovalyov (Robert Bathurst) finally does encounter it, it has reached a higher rank than his own, and refuses to rejoin his face. It has also become a rather vulgar hooter, with a taste for hanky-panky.

The production enters into the story's satirical style with relish and responds to its absurd streak with theatrical tricks, chief among them the ever-growing and increasingly sniffy nose. It does begin to lose its grip, however, at the surreal pinnacle of the story, at which point the collegiate assessor argues with his own nose at the back of a church. While this absurd scenario might work wonderfully in the mind's eye, it is not so easy to present on stage without just falling into pure pantomime, and Phelim McDermott's nose, a giant snout on legs, has a whiff of Mr Blobby about him that is rather disconcerting. Your suspension of belief, already profoundly challenged, starts to waver here and you feel the joke is beginning to wear thin. By and large, however, the staging is an enjoyable, imaginative and wittily executed attempt to meet Gogol's tantalising comic style: a *Nose* job of distinction.

Havel's 'Memorandum'

One problem facing any writer in a totalitarian regime is that many words and phrases are hopelessly devalued by their official use. In *The Memorandum*, the Czech dissident playwright-turned-president Vaclav Havel tackles this dilemma head on, by making language itself the subject of the play. His 30-year-old comedy deals with a monolithic office of uncertain function, where a new language is introduced to make communications more precise and to galvanise the chronically inefficient staff. Naturally, the project is doomed. The language proves too difficult for most employees, those who do master it begin to introduce unwelcome spontaneity, and the labyrinthine rules attached to its use are utterly self defeating.

It is a funny and very clever play, and its revival at the Orange Tree in Richmond reveals it to be just as pointed as at its premiere. The portrayal of an unwieldy bureaucracy, whose only purpose seems to be self-perpetuation, will strike many people as familiar; the use of language or jargon to obscure meaning has by no means vanished. And while the play is about language, it also uses it as a metaphor: it takes little effort to see the imposed language as communism – or any political system. As a political parable, the play seems almost prophetic: everything changes, and yet things remain the same.

Havel focuses on Josef Gross, a mild-mannered and ineffectual managing director (a pleasing performance by David Allister), who one day receives a memo so opaque it beats even the legendary Birt-speak communications. The memo is written in Ptydepe, the new language that Gross discovers has been introduced under his feet by his grasping deputy (John Hudson) and his sinister silent sidekick (Ian Angus Wilkie). A whole new industry has grown up behind his back of translators, teachers and experts, and Gross finds himself frogmarched into the new system, struggling to keep his authority and trying, in vain, to get his memo translated.

The play's comic portrayal of a bewildering, intransigent bureaucracy and nightmarish love of control is reminiscent of Kafka, while some of its bully-boy characters and its circular progress remind of you of *Animal Farm*. In the space of 24 hours, Gross is demoted and returned to power, the useless language is introduced, discredited and another introduced to take its place, while those involved in its implementation invent rules so complex they never need to do anything.

If the play has faults they are, as you might expect, that it can be verbose and over-intellectual. But it is very droll and beautifully acted in Sam Walter's meticulous, funny production. A strong cast revels in the play's absurd humour: John Baddeley is enjoyable as a blustering teacher, Roger Llewellyn as a florid translator and Stephanie Putson as a bimbo secretary. Victoria Hamilton, meanwhile, is sweetly serious as the Havel figure, the junior secretary who bucks the system by speaking the truth – and loses her job. The programme offers a primer of essential Ptydepe words, so I can tell you that the play runs at the Zup Zot until April 29.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 5732 911
● *Alfa Romeo*: The Essence of Beauty: exhibition marking the development and design of Alfa Romeo cars from the early part of this century to the most recent models; to Apr 2

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner; 7.30pm; Apr 2
● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary; 7.30pm; Apr 5
● Lucia di Lammermoor: by Donizetti. Conducted by Marcello Viotti and produced by Filippo Sanjust; 7.30pm; Apr 1
● Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7pm; Mar 30 (7.30pm)
● The Girl of the Golden West: by Puccini. A new production conducted by Paolo Olmi and produced by Frank Corsaro. Soloists include Galina Kalinina and George Fortune; 7pm; Mar 31; Apr 4
Staatsoper unter den Linden Tel: (030) 200 4762
● Der Rosenkavalier: by Strauss. Nicolas Brieger directs this new production. The sets are designed by Raimund Bauer and Donald Runnicles conducts; 6.30pm; Apr 4

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Kirov Orchestra St. Petersburg: Valery Gergiev conducts Stravinsky and Tchaikovsky; 8pm; Mar 30
GALLERIES
Arte Giani Tel: (069) 97 58 37 88
● Le Corbusier: famous for his architecture, Le Corbusier also produced oil paintings, watercolours, drawings and graphics. This is an exhibition of 40 such works created between 1928 and 1964; to Mar 31

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Mahler Festival Part 2: Michael Tilson Thomas conducts the London Symphony Orchestra and pianist Dame Moura Lympany to play Takemitsu, Weber and Mahler; 7.30pm; Apr 2
● Vienna Symphony Orchestra: with pianist Rudolf Buchbinder. Nikolaus Harnoncourt conducts Haydn, Mozart and Beethoven; 7.30pm; Mar 31
Royal Festival Hall Tel: (0171) 928 8800
● Bach: St. Matthew Passion: with the Bach Choir and the English Chamber Orchestra. Sir David Willcocks conducts; 11am; Apr 2
● BBC Symphony Orchestra: with mezzo-soprano Brigitte Fassbaender and conductor Alexander Lazarev plays Wagner, Mahler and Shostakovich; 7.30pm; Apr 1
● Rotterdam Philharmonic Orchestra: with pianist Andreas Haefliger. Claus Peter Flor conducts Beethoven, Mozart and Shostakovich; 7.30pm; Apr 3
● Royal Philharmonic Orchestra: with pianist Radu Lupu. Marek Janowski conducts Schumann, Beethoven and Brahms; 7.30pm; Mar 30
● The London Philharmonic: with soprano Amanda Roocroft. Roger Norrington conducts Mahler's "Lieder eines fahrendenden Gesellen" and "Symphony No.4"; 7.30pm; Apr 5
GALLERIES
Whitechapel Gallery Tel: (0171) 522 7888
● Kika Smith: works from the past three years by the artist; to Apr 23
● New Art from Cuba: works by contemporary artists from Cuba; to Apr 23
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Mar 31; Apr 5
● Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 30; Apr 4
Royal Opera House
Tel: (0171) 304 4000
● Salome: by Strauss. A new production directed by Luc Bondy and conducted by Christoph von Dohnányi; 8pm; Mar 31
● Siegfried: by Wagner. A new production directed by Richard Jones and conducted by Bernard Haitink; 5.30pm; Apr 1 (4pm), 4

■ NEW YORK

CONCERTS
Avery Fisher Tel: (212) 875 5030
● New York Philharmonic: with soprano Sylvia McNair, baritone Hakan Hagegard and the Westminster Symphonic Choir. Kurt Masur conducts an evening of choral music by Brahms; 8pm; Mar 30, 31; Apr 1
● New York Philharmonic: with pianist Mitsuko Uchida. Kurt Masur conducts Beethoven's "Piano Concerto No.2" and Shostakovich "Symphony No.5"; 8pm; Apr 5
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 30
● Pelléas et Mélisande: by Debussy. A new production by Jonathan Miller. Conducted by James Levine; 8pm; Apr 1, 4
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 3
● Tosca: by Puccini; 8pm; Apr 1 (1.30pm)
New York City Opera Tel: (212) 307 4100
● Harvey Milk: music by Stewart Wallace, libretto by Michael Korie. A new production conducted by Christopher Keene and produced by Christopher Alden, a story about gay activism, dirty politics, murder and street riots; 8pm; Apr 4
● La Traviata: by Verdi. A new production conducted by Yves Abel and directed by Renata Scotto. Soloists include Janice Hall/Oksana Krovytska and Stephen Mark Brown/ Richard Drews; 8pm; Apr 1 (1.30pm)

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Weiner Symphoniker: Nikolaus Harnoncourt conducts Haydn and Beethoven; 8pm; Apr 1
GALLERIES
Centre George Pompidou Tel: (1) 42 77 12 33
● Brassai: works by the French photographer; to Apr 3 (Not Sun)
OPERA/BALLET
Châtelet Tel: (1) 40 28 28 40
● Peter Grimes: by Britten. A new production by Adolf Dresen with Jeffrey Tate conducting the Philharmonia Orchestra; 7.30pm; Mar 30; Apr 2 (5pm), 4
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conducts the orchestra and chorus of the Paris National Opera; 7.30pm; Apr 5
● The Masked Ball: by Verdi. Conducted by Antonello Allemandi and produced by Nicolas Joël;7.30pm; Mar 31; Apr 4 (3pm)

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 13 63
● Weiner Symphoniker: Sir Georg Solti conducts Kodály, Bartók, Weiner, Berlioz and Beethoven; 3.30pm; Apr 1, 2 (11am)

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Barbara Nissman. Barbara Yahr conducts Kernis, Prokofiev and Rachmaninov; 8.30pm; Mar 30, 31 (1.30pm) ; Apr 1, 4 (7pm)
● Royal Concertgebouw Orchestra: with pianist Maria Joao Pires. Riccardo Chailly conducts Berg, Beethoven, Stravinsky and Prokofiev; 8.30pm; Mar 31
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Carmen: by Bizet. A new production with Denyce Graves in the title role. Ann-Margret Pettersson directs a production by Lennart Mörk. Conductor Cal Stewart Kellogg. In French with English surtitles; 8pm; Mar 30; Apr 1 (7pm), 4
● Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles; 8pm; Mar 31; Apr 3 (7pm)
THEATRE
Horizon's Tel: (703) 519 9123
● Kindertransport: by Diane Samuels. Jane Latman directs a play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4

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The importance of stamping out loyalty

BOOK REVIEW

"White-collar shock" is a persistent theme of the 1990s. In the old days, redundancy was something that happened to the workers. For managers, the job for life was part of an implicit contract. The reality is now brutally different.

In the US, middle managers make up 8 per cent of the corporate workforce. Between 1988 and 1993 they accounted for 19 per cent of job losses. These days, as Mr Jack Welch, chairman of General Electric, puts it, companies cannot guarantee your job: only customers can.

Behind that apparently simple formula is a nagging asymmetry. The old middle-class commitment was a two-way affair. In return for security, managers worked extra hours, took extra risks and allowed inroads into their personal lives. Now that corporations have reneged on their side of the bargain, how can they still expect that kind of commitment? What, in short, has happened to loyalty?

Professor Heckscher has the answer, and it is a surprising one. The problem lies not in retaining loyalty, but in stamping it out. Even in businesses that have suffered severe job cuts, the surviving managers cling to their ideal of the company and the company treats them with anxious solicitude. This condemns the company to further decline and the managers to drudgery. All the suffering and upheaval goes for nothing. Loyalty is the enemy of change.

White-collar redundancy is commonly attributed to two main causes: the increase in global competition and the advent of the desktop computer. As Prof Heckscher persuasively argues, neither explanation will do. The phenomenon predates the information technology revolution, and extends to companies immune from foreign competition.

His explanation is evolutionary. At first, workers directed their loyalties to a charismatic leader or founder. Then, under such innovators as Alfred Sloan of General Motors, companies developed the concept of the bureaucracy, and the manager became loyal to his or her job.

WHITE COLLAR BLUES: Management Loyalties in an Age of Corporate Restructuring
By Charles Heckscher
Harper Collins, New York. 224 pages. $23

In time, that became too rigid. To respond quickly to events, departments had to develop informal co-operation. Bureaucrats would help each other in the expectation of help in return. That was only possible with communal trust; thus loyalty to the corporation developed as a means of oiling bureaucracy's wheels.

That in turn has proved too rigid. First, the pace of change in corporate life has steadily accelerated, so that companies can no longer afford the long-term guarantees which the system requires. Second, the communities which the system produced were closed to outsiders, such as women or minorities. As workforces have diversified, the old order has broken down.

All the US companies studied by Prof Heckscher had felt the effects of this, and all had gone through what is euphemistically called "downsizing". Empirically, Prof Heckscher reports a remarkable finding. In companies where loyalty to the corporation remained strongest, change had been least effective and managers were most overworked. Where loyalty to the corporation was weakest, the reverse was true.

Corporate loyalty, it seems, is a fundamentally conservative instinct. Instead of changing their behaviour as their superiors intended, most loyalists slogged on in hopes of a return to the status quo. A few decided it was every man for himself, which besides being morally undesirable also meant reverting to bureaucratic rigidity.

Either way, middle managers largely rejected top management's attempts to explain strategy. If they listened, the hierarchical nature of loyalty made them unwilling to answer back. Just as middle managers will not tolerate interference in their jobs from above, they will not venture an opinion on strategy. If top management is genuinely asking for advice, that carries the implication that they do not know what they are doing.

There is, it seems, a middle way. What he reports from companies which successfully embraced change is the beginnings of the next stage: loyalty not to the corporation, but to the project. In such cases, managers team up through the hierarchy to perform specific jobs lasting perhaps three or five years. After that, they go on to the next project. If that is with the same company, well and good. If not, move on.

Those who have pulled off this change of attitude, says Prof Heckscher, are typically more relaxed and confident.

If this is the future, there is much rethinking to be done. Companies will have to make benefits such as pensions a lot more portable to allow their managers to move on. Managers will have to broaden their contacts outside the company through managerial or trade associations. Above all, companies must help their managers to make themselves more marketable, rather than treating that as a sign of disloyalty.

As Prof Heckscher says, not all managers will be able to achieve this new mobility. But his thesis raises a wider issue about its impact on society. The old form of corporate community went beyond the world of work. It was also a social organisation which grew up to replace the links of home town, family or neighbourhood.

The intensity of loyalty, as Prof Heckscher makes clear, has much to do with the human hunger for society. It remains to be seen whether the mobile manager, moving from task to task, will find that hunger satisfied; and if not, what he or she will do about it.

Some of the effects of blue-collar shock can be seen in inner cities and public housing estates. The long-term results of white-collar shock are yet to be assessed. On the strength of this remarkable book, Prof Heckscher might be the right man for the job.

Tony Jackson

ECONOMIC VIEWPOINT

Time for some UK optimism

By Samuel Brittan

Numbers cannot tell us everything: but at least they are a start. Purely political observers may be surprised to learn that, by most usual economic criteria, 1994 was a brilliant year for the UK. The newly published national income figures show gross domestic product increased in nominal terms by an estimated 5.9 per cent. Yet only 2 percentage points reflected underlying inflation. The remaining 3.9 points represented an increase in real output – a rise on earlier estimates. An increase of this size divided in this way is a prize for which many past government economic advisers would have given a fraction of their anatomy.

But this was not all. Normally the difference between GDP and gross national product is a matter for statisticians: the rest of us take whatever estimates are available. But in 1994, GNP increased by far more – by 7.5 per cent in nominal terms and 5.8 per cent in real terms – because of an exceptional jump in income from overseas investment, a theme to which this article will return.

Why, nevertheless, do most voters seem bitterly dissatisfied? Although the most recent phase of the recovery has been export-led, consumer spending has not done all that badly. In 1994 it rose in volume terms by 2.6 per cent, not far below the long-term trend. Retail sales account for only a part of consumer spending and, in the past few months, there has been a switch to the National Lottery, the receipts from which are spent in one form or another.

Since higher spending, financed by lower saving, may not be all that satisfying, let us switch attention to real personal disposable income after all taxes and transfers. This last measure must surely have some relation to what people see as their standard of living.

At first we seem to have a clue. So far in this parliament real personal disposable income has risen by 1.4 per cent per annum, half the long-term trend – and also half the rate at which it rose in the 1987-92 parliament when John Major pulled off a surprise election victory.

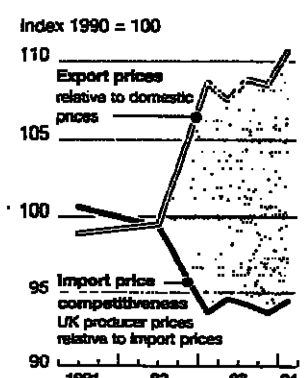
But real disposable incomes are a treacherous guide. They rose very much less during the first Thatcher parliament of 1979-83, mainly due to rising unemployment and government budgetary tightening. Despite the denials of most political pundits, the Falklands factor *was* probably decisive in persuading voters to give Margaret Thatcher the benefit of the doubt on domestic policy.

Growth of real personal disposable income: % p.a.

1951-74	2.7
1974-79	2.2
1979-83	0.7
1983-87	3.5
1987-92	2.8
1992-94	1.4

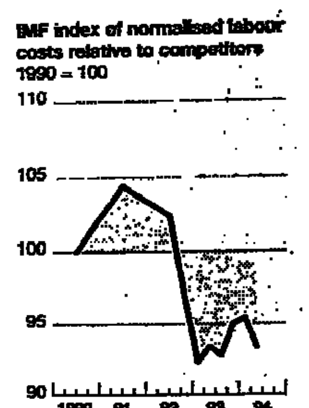
Source: CSO

Relative profitability of UK exports



Source: CSO

UK unit labour costs



Source: CSO

More recently, real income started to accelerate in the course of 1994. Although there are still tax increases in the pipeline in the shape of reduced mortgage interest relief and a reduced married couple's allowance, the bulk of the phased tax increases should soon be behind us. Real personal disposable incomes are likely to rise by an average of over 2 per cent during the present parliament, even without so-called tax cuts in the next Budget or the one after.

So we are left with explanations for the current UK malaise which are familiar though difficult to pin down: depressed house prices and lingering negative equity; worries about the durability of jobs, which – if valid – will take years to appear in labour market statistics; and a growing public identification with every kind of lobby and pressure group to which the broadcasting media (not just the BBC) give such an uncritical hearing.

The official figures are perhaps more illuminating when we examine the balance of payments. The UK current account deficit has infuriated many doom merchants by all but disappearing.

If one looks behind the official estimates, the deficit has more than disappeared. If even a small fraction of the £5.7bn in the "balancing item" for 1994, showing unattributed receipts, was due to current earnings, then the total current balance was clearly in surplus. Indeed, a better measure of the UK overseas position may be the balance of identified assets and liabilities. This has risen from slightly under zero (that is more liabilities than assets) at the end of 1991 to £36bn at the end of last year.

The table below left examines the improvement in detail. Despite a devaluation of nearly 12 per cent following the departure from the ERM, there has been no improvement in the visible trade deficit, apart from the erratic oil sector; and the improvement in services has been modest. Nearly all the change can be explained by a striking jump of nearly £7bn in earnings from overseas investment between 1992 and 1994.

Investment earnings are more volatile than visible trade, but the benefits from them are just as real as from exports of hard metal goods. In fact, nearly all the jump has been due to higher earnings from overseas direct investment in sites, plant and investment – which the doomsters had previously derided as a drain of foreign exchange adding to a so-called basic deficit in the balance of payments.

Although it shows no spectacular net improvement, the trade balance is still illuminating. For it would normally have been expected to widen during an upturn which has been faster and earlier in the UK than in main competitors.

British forecasters have usually expected devaluation to work by pricing British products into world markets. That is, they have expected export prices to remain stable in sterling terms after a successful devaluation and therefore to drop in foreign currency terms. Thus exporters would price themselves into overseas markets, but the British terms of trade would deteriorate.

This time, however, sterling export prices have kept roughly stable in foreign exchange terms and therefore shot up in terms of sterling. The devaluation gain has been taken in much higher export margins. The terms of trade have, far from deteriorating, shown a slight improvement.

Thus, for once, events followed the pattern predicted for small countries by trade theorists. The sterling prices of products which can be traded on world markets have risen in relation to the prices of other products mainly saleable on domestic markets. Import prices have also increased relative to domestic prices despite the partial absorption of some of the devaluation effect in narrowed import profit margins.

This shift in the *domestic* terms of trade in favour of exportable products has also been associated, given the structure of the UK economy, with a shift towards manufacturing from domestic services, and to profits from income from employment. These distributional shifts may provide a further clue to feel-bad factors, even though they are what many economists have long advocated.

In the past, devaluations have been eroded, partly by wage earners trying to compensate for the effects of higher import prices on their take-home pay. Less obvious, but more fundamental, has been the upward pull on wages from the export sector which has spread to the rest of the economy. Both of these effects were highly dampened because of the recessionary conditions at home and abroad when sterling left the ERM. These dampeners may now be much weaker; and the effects of further and sustained devaluation at a time of rising domestic and international activity may come as a rude shock to many observers.

UK balance of payments (£bn)

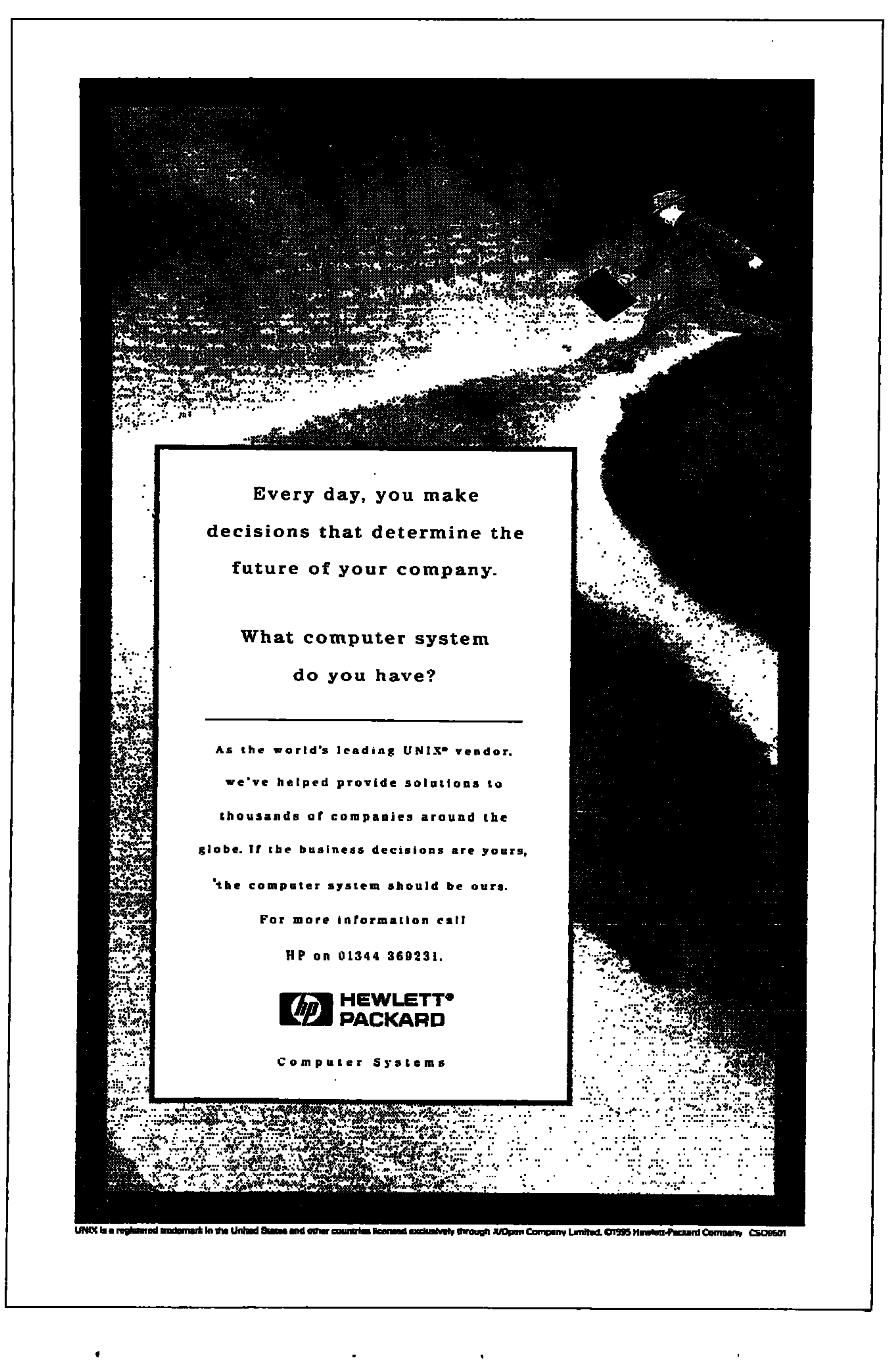
	1992	1994	Change
Non-oil visibles	–14.7	–14.7	0
Oil	+1.6	+4.2	+2.6
Services	+4.1	+4.7	+0.6
Investment income	+4.3	+11.2	+6.9
Transfers	–5.1	–5.6	–0.5
Current balance	–9.8	–0.2	+9.6

Source CSO

Exports & imports: changes 1992-94 in index points, 1990=100

	Volume	Price
Exports of non-oil goods	+12.9	+14.8
Imports of non-oil goods	+10.6	+13.2
Exports of services	+6.8	+9.8
Imports of services	+5.7	+10.9
All goods and services: Exports	+12.7	
Imports	+8.9	
Change in £* (%)	–11.4	

*From 1991. Source: CSO



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

All G7 states except Britain prize local autonomy

From Mr William Wallace.

Sir, May I offer, through your columns, a seminar for the British chancellor of the exchequer on the constitutional structure of the Group of Seven states?

You reported a speech by Kenneth Clarke ("Devolution threatens world role, says Clarke", March 25), in which he suggested that the creation of a legislative assembly for Scotland would place in jeopardy Britain's position as a member of the G7.

Given that three of the other six members – the US, Germany and Canada – are federal states, the idea that over-centralised Britain requires the maintenance of political monopoly in London to justify its presence is absurd.

Californian legislation on unitary taxation may on occasion cause problems in American external relations. Bavaria (like other German states) has its own representative office in Brussels. But these and other international activities do not undermine the international standing of their federal governments – on the contrary, they contribute to a fuller representation of the diversity of these advanced democracies.

Japan has an extensive structure of prefectural government outside Tokyo. Italy has powerful regional bodies; France has decentralised substantially in recent years.

The United Kingdom is the odd G7 member out, in which local autonomy has been reduced and the dominance of the central executive consolidated.

If the Treasury would like to enlighten its chancellor by putting a contract on elementary comparative government out to tender, I will submit a bid.

William Wallace,
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Opec has natural interest in climate conference

From Mr Yusufu Turundu.

Sir, Your article "Rift over CO_2 damps hopes of summit pact" (March 13) makes damaging allegations about the stance of the Organisation of Petroleum Exporting Countries on global environmental issues. Its basic claim – that Opec is "determined to sabotage the (Berlin climate) conference" – is attributed to unnamed "western officials". Yet these sources are themselves creating a smokescreen to obscure the real reasons for any failure in Berlin. When western nations disagree over such issues, they defend their interests. Does this same right extend to developing countries?

Our members implement policies to reduce greenhouse gas emissions (for example, the tremendous reduction in gas-flaring among Opec producers). So no-one can level a serious accusation of "sabotage" at them. We admit to a legitimate interest in the outcome of the conference, as recognised in the Rio Treaty which refersto the concerns of fossil-fuel exporting developing countries.

Opec has played a constructively critical role in various environmental forums, taking a reasoned line on the three chief issues:

- Adequacy of commitment. We are not yet convinced of the need for a review before steps are taken to implement the CO_2 target reductions set out in the FCCC.
- Rules of procedure. The interests of all would be best safeguarded by requiring consensus on substantive issues.
- Joint implementation. This issue – bound up with tradeable permits and emission-crediting – is so complex that it would be wisest to await feedback from the pilot phase.

Nor are Opec members defending an isolated position. On most of the issues we share our view with a majority of the "G-77 and China" grouping.

Our stance, based on independent scientific research and forecasts, and developed at our international seminar, recognises divergent views about the uncertainties of global warming. Opec is not alone in this. It is in the scientific literature. Nor do we mind admitting to a coincidence of views with industrial interests and NGOs on certain aspects of the environmental debate. For example, we also call for a holistic approach towards greenhouse gases rather than concentrating on CO_2.

Finally, we argue that oil products are already overtaxed more than 70 per cent in OECD countries to the benefit of energy sources with a greater carbon content or posing a separate environmental threat. That fact, and the cynical way some governments raise "green" taxes – not to spend on environmental measures, but to cut deficits – convinces Opec that the interests of developing countries need fairly representing. Instead of preparing Opec to be the scapegoat in Berlin, your respected newspaper might examine alternative points of view.

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Global warming calls for caution

From Elizabeth Young.

Sir, The FT Guide to Global Warming by Haig Simonian (March 27) ends by mentioning the "precautionary principle" and by saying that "failure is unlikely to affect our lives, but may have an impact on future generations" because "climate change is extremely slow" and "the planet also has an extraordinary ability to adapt". Oh yes?

We do not, and cannot, know. Uncertainty reigns.

The right metaphor is this: something is certainly coming round the corner, but we can't see what, so we can't know what it is or how fast it's coming.

If we are riding a bicycle, we can get off; if we are driving a juggernaut, we can't get off, but we can and therefore do slow down, well before the corner, because slowing down is itself a slow business because of the momentum.

Climate change is like driving the juggernaut: we cannot get the actual evidence of what is round the corner until it is too late to slow down.

The precautionary principle says "slow down until you can see round the corner".

Some lobbyists are now saying: "Don't slow down until all of us can see round the corner."

By that time you couldn't slow down soon enough even if you wanted to.

Elizabeth Young,
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Electricity watchdog's move raises three questions

From Ian Powe.

Sir, The electricity regulator's statement on regional electricity company price controls boils down to one question for electricity, another for gas, and leads to issues of public confidence.

Did the Recs provide all the data he needed or did he get his sums wrong? With 220 staff, it is scarcely credible that Professor Littlechild miscalculated the price cap.

The question for gas is whether transparency of accounts at TransCo, British Gas's £18bn pipeline monopoly, will ensure confidence that Ofgas can control transportation charges which contribute more than 40 per cent to consumer gas prices.

The government should insist on full disclosure of energy monopoly accounts. Calling for relaxation of restrictions on Ofgas' powers to disclose financial information, Ms Clare Spottiswoode said "the public has a legitimate interest in this information". Unless TransCo is established as a wholly owned subsidiary of British Gas, corporate control could enable true asset values and rates of return to be hidden with a risk that confidence in regulation will be undermined.

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FINANCIAL TIMES

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Thursday March 30 1995

A banking brouhaha

The past week has witnessed a most unusual falling out in the hitherto cosy world of French banking. Société Générale and Banque Nationale de Paris, the private sector banks, are up in arms at what they consider the state's generous bailout of their ailing but much bigger public sector rival Crédit Lyonnais. Mr Jean Peyrelavade, the Crédit Lyonnais chairman, is furious at his competitors for querying the rescue while the European authorities consider whether to approve it.

The row could severely embarrass the French government and complicate its efforts to nurse its financial problem child back to health. It should nevertheless be welcomed by anyone anxious to ensure that the Crédit Lyonnais débâcle is never repeated. By encouraging critical scrutiny of the rescue, notably in Brussels, SocGen and BNP may yet succeed in limiting the damage it threatens to inflict on competition in the French economy.

Under the complex package, announced on March 17, Crédit Lyonnais is to transfer assets worth FFr135bn from its balance sheet into a separate subsidiary. This will be funded by a loan from a new state-backed company, which itself will receive a FFr145bn, 20-year credit line from the bank. Crédit Lyonnais will earn interest at below-market rates on the latter loan, but will have to hand over sizeable dividends to the new entity until the bank is privatised.

Financial engineering

The two private sector banks object to this creative piece of financial engineering on several counts. They have argued that the state – contrary to its claims that the deal would be self-financing – was in effect using its own funds to fill a FFr50bn hole in Crédit Lyonnais's accounts. In addition, by allowing the bank to earn undue interest on non-performing assets, the government was providing it with a subsidy equivalent to two-thirds of SocGen's or BNP's annual net profits. And the state planned to let Crédit Lyonnais off the hook by ceasing to demand further dividend contributions after it is privatised.

Detailed assessment of the two banks' claims is impeded by the fact that the 200-page contract between the government and Crédit Lyonnais has not been published. But their case that the deal represents a severe distortion to competition in the French banking market looks incontrovertible.

The trouble is that the Crédit Lyonnais disaster is so large that almost any action to deal with its consequences would cause problems. As Mr Peyrelevade points out, pushing the bank into bankruptcy – as well as being unthinkable for a bank of this size – would not have been permissible under French law. In the absence of adequate state support, the private sector would have had to stump up – at a cost dwarfing any harm they are likely to suffer from unfair competition.

Conflicting duties

What BNP and SocGen are disputing, then, is not the concept of a state rescue but its terms. Clearly the deal is a compromise between the state's conflicting duties to the bank it owns, the banking system it supervises, and the taxpayers whose well-being it is supposed to ensure. The other banks' submission is that the government has got the balance wrong. And on the basis of what is known about the bailout, it is hard to disagree.

As he scrutinises the deal in the coming weeks, Mr Karel Van Miert, EU competition commissioner, should look especially hard at the interest rate being paid to Crédit Lyonnais on the doubtful assets it has hived off, and at the relationship between the entity holding those assets and the bank itself. He should ask himself whether the bank is being given a stiff enough incentive to dispose of the assets, shrink to a more sensible size and head for the private sector as quickly as possible. If not, he should demand revision of the terms.

Even if the deal is not amended, the political brouhaha raised by the two other banks may not be in vain. It is a useful further sign of erosion in the damagingly incestuous relationships between French public and private sectors. And it should further fuel the demands for fundamental change in the French corporate governance practices that lie at the heart of the Crédit Lyonnais fiasco.

Britain in the world

There was always a danger that a great debate on Britain's role in the world, in the current climate of British Euro-scepticism, would end up as an exercise in nostalgia for long-lost imperial influence. When the Royal Institute of International Affairs invited all the great and good of the British establishment, plus a fair smattering of distinguished foreigners, to discuss that very issue in London yesterday, it was clear that the European Union was not intended to dominate the discussion. The event was billed as an attempt to look beyond the EU, at all the other ways in which Britain is still a power in the world: in diplomacy, security policy, culture and indeed in trade and investment.

At the very least, Mr John Major wanted to concentrate on anything but Europe, the question on which his party is so deeply divided. Yet in the event, the EU and all its works was centre stage in the debate, in virtually every contribution except that of the prime minister. And quite rightly so. If Britain cannot resolve its relationship with its European partners, then it is unlikely to have clarity in its relations with the rest of the world – either as a trading partner, a business competitor, in foreign policy, or in security relations.

That was the message delivered forcefully by Mr Peter Bonfield, the chairman and chief executive of ICL. "If we want to be taken seriously on the world scene, we need to start by getting our house in order in Europe," he said. It was the same message given, from his very different perspective, by Mr Henry Kissinger, the former US secretary of state.

The "special relationship" that once existed between Britain and the US now needs to be replaced by a special relationship between the US and Europe, he said – in which Britain can and should play a vital role.

Clarity on Europe

It is not that Mr Major's message is wrong. It is just that without clarity on Europe, a crucial piece of the jigsaw is missing.

The British prime minister, and the Prince of Wales, in his address, tried to raise the sights of the nation above the current state of inward-looking self-deprecation. They sought to focus on all the great British achievements on the world stage, the country's contributions to democracy, free trade, a world culture, peace and security.

They are right – as several international speakers helped to underline. There is no justification for British gloom, for it continues to exercise an influence on the world stage far beyond its natural position as a middle-ranking economic power. Its seat on the UN Security Council, its membership of the Group of Seven industrialised nations and its leading role in the Commonwealth confirm it.

Gloom prevails

Yet it is precisely because Britain has failed to come to terms with its identity as a middle-ranking European power that the gloom prevails. For Britain's role in Europe could and should be positive and enthusiastic, not niggling and negative as it now appears to so many of its partners.

Mr Kissinger wants Britain to ensure that Europe is the special partner for the solitary superpower his own country has become. He does not want or expect Germany, or any other continental power, to have a special relationship with Washington.

On the trade and business front, Britain's contribution must be to argue for Europe as a free-trading, openly competitive entity, with the minimum of bureaucratic regulation, and the maximum of democratic accountability. The challenge is to build a competitive British economy within a competitive European economy – precisely in order to compete with the new tigers of Asia and the Pacific.

It is clear that the economic and political challenge of the coming decades lies in Asia. It is a continent where democracy has yet to take deep root, and where the danger of conflict remains real, even as its economies are rapidly expanding. The other great challenge for the EU is to incorporate the emerging democracies of central and eastern Europe, requiring big adjustments on both sides.

Mr Major has correctly identified those challenges. But they are ones which cannot be dealt with by Britain as a solitary nation state, but by Britain as an enthusiastic and positive participant in an outward-looking European Union. Going it alone is no longer any answer.

Barons swept out of fiefdoms

Shell's far-reaching shake-up is dramatic but necessary, says **David Lascelles**

When Europe's biggest company stirs, the tremors spread far and wide. The shake-up proposed yesterday by Royal Dutch Shell is one of the largest corporate restructuring exercises attempted. It will have dramatic – and painful – effects on thousands of employees who will be uprooted or lose their jobs. It should also sharpen competition in the international oil business as Shell develops a harder edge.

Nor will the impact stop there, because the reshaping will provide lessons for the corporate redesign business worldwide. Where Shell – one of the most successful companies in the oil business – goes, others are likely to follow.

Indeed, there is no obvious reason why Shell should embark on such a potentially wrenching exercise. Only a month ago, the company announced record earnings for last year of £4bn, an increase of 24 per cent. Its return on capital employed, the main measure of financial efficiency, was, at 10.4 per cent, back in double figures for the first time since 1990. This was the result of a shake-out of the operating companies which led to the loss of more than 10,000 jobs out of about 100,000 last year, and the sale of Shell's large mining interests.

Shell's internal management systems are also famous for their smoothness: the company's culture is good at breeding the right corporate types and fostering a co-operative atmosphere. "Shell man", correct and committed, is recognisable in the dozens of countries where the company operates.

But Mr John Jennings, the chairman of the UK side of the UK-Dutch company, says the rate of return is not high enough to sustain the company in the long term. Shell is gradually running out of puff and will not, its strategists believe, be bailed out by higher oil prices or a slackening of competition.

In the past, Shell had a reputation for spending its way out of difficulties, which was fine so long as profits were adequate. Now that they are not, cost-cutting is the necessary alternative.

Furthermore, the Shell culture is also good at breeding committees – hundreds of them, which once created never go away. "There is a committee culture," says Mr Ernst van Mourik-Broekman, who is in charge of human resources and has been co-ordinating the review.

The proposed changes, which will be shaped in detail through consultation with staff over the next six months, are radical because they do more than attack the overstaffing and bureaucracy that threaten to weigh Shell down. They will also eliminate many of the regional fiefdoms through which Shell runs its worldwide empire, and which allow local barons to wield a great deal of power.

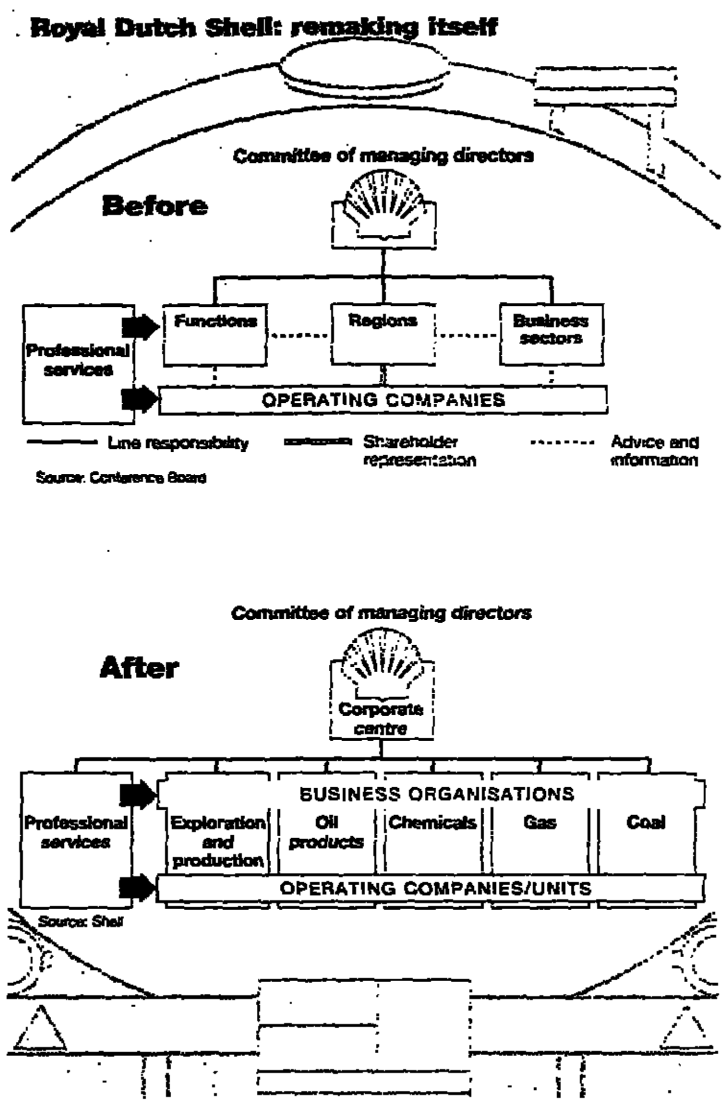
For historical reasons, Royal Dutch Shell is organised mainly on geographical lines. Each country or region has its own companies and managers. These report back through layers of command to the corporate centre which is split between London and The Hague. At the top is the four-strong committee of managing directors (the CMD), each responsible for one of Shell's four regions and a number of businesses. Regional co-ordinators ensure there is no overlap between different companies.

This structure has evolved into a matrix which also divides the company into its various activities: exploring for oil, refining it and selling it, and so on. These operations are supported by central companies providing legal, financial, information and other services. Such a matrix is fairly conventional in management terms, but it has become extremely complicated: a given operating company can be defined by its geography, its sector within the company and its line of business. On the organisation chart, it looks like a fort besieged by arrows coming from all directions.

In future, the group will be shaped around five business organisations covering Shell's main activities: exploration and production, oil products (refining and marketing), chemicals, gas and coal. Each operating company will report to whichever of these organisations are relevant to its activities. The shape of the operating companies will not be altered by these proposals, only their relationship with the rest of the group.

The first three of these organisations, which represent the bulk of Shell's business, will be headed by new business committees (gas and coal will be treated as project development companies). These committees will consist of up to eight representatives of the key companies in each organisation, including their respective research and technical services. The committee's members will make the broad strategic and investment decisions for their organisations, but will leave executive authority with the operating companies so that they retain the "localness" which forms a main part of the Shell creed. They will also ensure that technological knowhow gets to the right parts of the company, for although Shell wants to cut costs, it will continue to have a heavy investment programme: more than $10bn a year.

Royal Dutch Shell: remaking itself



These potentially very powerful committees will operate in a collegial manner: there will be no chief executive, and all members will be able to challenge each other on their performance. The committees will be chaired on a non-executive basis by one of the group managing directors who will report to the CMD, which also adopts a collegial style.

For example, Shell Australia, one of the larger regional companies, would report to, and receive its strategic targets from, all five organisations because it produces oil and gas, refines and markets oil products, and is active in coal and chemicals. Mr Rick Charlton, chairman of Shell Australia, would retain his position at the top of the operating company. But like other country chiefs, he would not necessarily become a member of a business committee because no country in the group is large enough for an automatic place. (Shell Oil, the US arm, is not included in the reforms for legal and technical reasons.)

A central aim of the new structure is to reflect the different types of decision that are taken at various levels within the group. The executives who run operating companies need a lot of local authority – and to be personally responsible for their companies' performance. But their decisions are limited to their companies, focusing on the front line and the customers.

The business committees will look at wider strategic issues that require a more collective approach. Their decisions will affect many companies, and their focus will be back up the chain of command to the committee of managing directors and ultimately to the shareholders. This way, Shell hopes to encourage maximum local initiative within a structure that keeps the group as a whole heading in the chosen direction, and provides the right checks and balances.

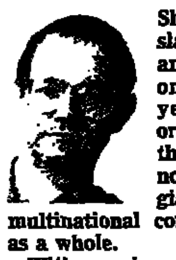
For Shell's internal politics, these changes could be dramatic. At a stroke, they will cut the larger regional baronies and reduce the layers of regional co-ordination, which will account for many of the 1,170 jobs that will go at the centre. But the changes will also create a new senior officer corps in the members of the business committees. These members will be nominated by the managing directors in mid-summer – a moment that could make or break many highflying Shell careers.

Shell accepts that the changes are radical. But it hopes that they will not create damaging ructions. Mr Broekman talks of "piecemeal changes" that will "alter the feel of the place over time", rather than a reform undertaken to achieve some utopian ideal. Nonetheless, the proposed handover of responsibilities from the present structure to the new business organisations, scheduled for October 1, will be a significant moment for Shell.

It may also seem late in the day. Other big oil companies such as Exxon, British Petroleum and Amoco, have already gone through big corporate upheavals to adjust to flat oil prices, and have seen their fortunes revive. Shell has shown that it cannot stay aloof from the process if it wants its own fortunes to head the same way.

Christopher Lorenz

End of a corporate era



Shell's decision to slash its head office and dismantle its once admired 35-year-old matrix organisation marks the end of an era – not only for the oil giant itself, but for multinational company structures as a whole.

With growing global competition and unforgiving shareholder pressure for better performance, few organisations can any longer afford an elaborate structure in which important decisions require laborious debate between several sets of executives with overlapping responsibilities. In Shell's existing three-dimensional matrix, the executives represent national or regional units, business sectors (or divisions) and functions such as finance and human resources.

Nor can a company afford the army of co-ordinators and other staff needed to support and "police" such a matrix. Hence Shell's decision to cut its head office so sharply.

Big head offices are certainly an anachronism – though not all multinationals have realised that yet, especially in Asia. But the same does not apply to the principle of matrix organisation, contrary to the impression given by Mr Cor Herkströter, Shell's Dutch chairman, in his burial speech yesterday. Far from it. Despite similar supposedly graveside orations from other multinational bosses in recent years, the matrix is far too useful to be buried.

British Petroleum, Imperial Chemical Industries and some other multinationals have abandoned matrices, and shrunk their head offices accordingly. But International Business Machines, Dow Chemical and many others are merely streamlining their matrices.

A third group, including ABB, Deutsche Bank and Caterpillar, has been installing new matrices, often for the first time. The most recent enthusiast, from the beginning of this year, is Ford.

The main difference from the past is that most of these new matrices have only two decision-making dimensions, such as Ford's. In almost every case, most of the power has been put in the hands of international business or product division managers, relegating geographic and especially functional management to subordinate roles.

Multinational company structure is certainly a complicated issue, but it is far from merely an academic one. As Mr Herkströter implied yesterday, large organisations must be able to do several seemingly conflicting things at once: marshal their resources across the globe much more effectively, rapidly and flexibly; slash the cost of the head office – or "corporate centre" – co-ordination required to do that; and avoid losing their ability to respond to differing market and competitive challenges in countries and regions around the globe. That requires quite some balancing act.

The companies most at risk of losing national and regional market responsiveness are those which have gone over to one-dimensional organisations in which their business divisions are all-powerful. Their geographic units have been reduced to playing little more than supporting roles in sales and service, which risks alienating customers and demotivating staff in countries other than those where the business divisions have their headquarters.

Several aspects of Shell's reorganisation should – if they work as intended – help mitigate any loss of responsiveness:

- The retention of a "dotted line" relationship between the corporate centre and national operating company, alongside the latter's main reporting line to the international business division. Mr Ernst van Mourik-Broekman, who headed the reorganisation team, says: "We'll have a weakened matrix, though it's probably better not to use that word".
- The maintenance of strong country managers heading many of the national operating companies, which will remain Shell's prime frontline units. Many other companies have abolished or emasculated the role of country management.
- By retaining a degree of influence at head office for regional experts as advisers to Shell's top management team, the committee of managing directors.
- The reinforcement of this structural change by a programme to revamp the group's management processes and mechanisms and transform people's attitudes, skills and capabilities. Two of the main goals here will be better teamwork and mutual support. As Mr Broekman admits, that will involve a fair degree of cultural change – a concept that many Shell managers have sneered at in the past when other companies have tried it.

If Shell's new organisation is to remain responsive to market differences and internal innovation around the world, that culture change will have to create what business academics have called a flexible and co-operative "matrix in managers' minds". Matrix structures may be unwieldy, but matrix thinking is inescapable.

OBSERVER

Clowning in Chicago

■ The Republican party may be on the march across much of the US, but Newt Gingrich's revolution has failed to reach Chicago, the home of the legendary Democratic machine.

In Chicago's April 4 mayoral elections, Ray Wardingley, known professionally as Spanky the Clown, will be the Republican challenger to incumbent Richard M Daley.

That the GOP could only find a clown to run against Daley is not surprising, given the grip the Democrats have had on city politics for the past 64 years. Chicago hasn't had a Republican mayor since 1931. The few respected Republicans that have mounted challenges for the mayor's office in recent decades have ended up a laughing stock, their reputations in shreds.

And while Illinois has a Republican governor and several Republican congressmen, there is only one Republican alderman on Chicago's 50-person city council. The Republican party is so risibly weak in Chicago that only 8,682 voters bother to participate in the primary that nominated Wardingley; he won narrowly, with 2,447 votes.

Anyone wishing to mount a serious challenge to the Democrats – generally disaffected Democrats themselves – chooses to stand as an independent. This year, Roland Burris, a former state comptroller and attorney-general, is seeking the mayor's office; polls show him trailing far behind the popular Daley.

Agnew outed

■ Rudolph Agnew, chainsmoking ex-boss of Consolidated Goldfields, has been outed. There is another side to the flamboyant rightwing conservative who now chairs Lasmo and will soon take the helm at Redland. A round of applause, please, for Agnew the South African peacemaker.

Agnew has never boasted about his bit-part in South Africa's move to democracy. However, the tale of his involvement in one of history's most remarkable political transformations has surfaced in Allister Sparks' new book on South Africa, *Tomorrow Is Another Country*.

Agnew owes his involvement to Michael Young, his politically involved public relations man, who knew Oliver Tambo, the late African National Congress leader. Tambo told him that British business could help by arranging a dialogue with the Afrikaners. Young put the idea to Agnew; who, to his surprise, agreed that ConsGold would pay for a series of secret meetings between the ANC and top Afrikaners.

A dozen meetings were held at Mells Park House, a country mansion close to ConsGold's biggest quarry in Somerset. More than 20 prominent Afrikaners, including Wimpie de Klerk, the former president's brother, attended. The ANC contingent was led by Thabo Mbeki, now one of South Africa's two deputy presidents.

Wimpie de Klerk's message back to his friends in the Broederbond, the secretive organisation linking senior Afrikaners, was: "Look, boys. Everything is OK. We can do business with the ANC. They are not that radical."

Agnew was neither involved in the secret meetings, nor tried to take credit for them. As a big investor in South Africa it served his purpose that they should happen. Whether they achieved anything beyond building up trust between the two sides remains uncertain. But they were probably considerably more fruitful than the highly publicised meeting in Zambia between Gavin Relly, the chairman of Anglo-American, and the ANC leaders – which reminded many of the surrender of Singapore.

Colonel Vlad

■ Russia's defence minister, General Pavel Grachev, chief architect of the brutal assault on Chechnya, is adopting some desperate measures to restore his popularity.

Bizarrely, the little-loved Grachev has now bestowed the honorary rank of reserve lieutenant colonel on none other than Vladimir Zhirinovsky, the ultra-nationalist leader of Russia's misleadingly named Liberal Democratic party.

Zhirinovsky's press office was quick to trumpet the news, saying the award had been made in recognition of his "outstanding contribution to strengthening Russia's defence capability and on the eve of his 50th birthday".

Stranger still, Zhirinovsky's minions clearly have not read their leader's autobiography. He will not be 50 until April next year. Maybe he's doing a probationary period, trying on the uniform for size, that sort of thing.

Carted off

■ John Carter, chief whip of New Zealand's governing National party, is in a bit of hot water. In what he later described as "a bit of a hoot," he called on Sunday a radio chat show – hosted by government minister John Banks – and masqueraded as a workshy Maori, moaning about government proposals he said would threaten his "free ride" on state benefits. Carter apologised yesterday, saying he hadn't intended to cause offence. Acting prime minister Don McKinnon feels Carter should be forgiven: "He acknowledges that, as an attempt at humour, it was ill-conceived."

Now if Carter had only spoken as himself, no doubt many New Zealanders would have found his sentiments entirely innocuous.

The Financial Times

100 years ago

The property market
There will be no sales at the Mart on Monday. It will be 1st of April, and auctioneers have a superstitious dread of "All Fools' Day". We should have thought that, for some properties which are brought to the hammer, it would be the very day of all the year for catching a purchaser.

The telephone inquiry
The Select Committee of the Commons considering the question of the telephone service sat yesterday, when Mr Chisholm, a member of the Glasgow Town Council, said that the telephone service in Glasgow was very unsatisfactory, and many of its subscribers were very dissatisfied. Mr. Chisholm said a member of the Corporation of Glasgow was so dissatisfied with the continual interruption to which he was subjected that he smashed his instrument down.

Cunard Steamship
At the annual meeting Sir John Burns, who presided, expressed his regret that no dividend could be declared owing to bad trade and the great deficiency upon outward passenger traffic.

The Financial Times was not published on Good Friday March 30 1945

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FINANCIAL TIMES
Thursday March 30 1995

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Major steers clears of tackling EU policy issues

UK urged to strengthen commitment to Europe

By Bruce Clark, Guy de Jonquières and Robert Peston in London

Business leaders and influential commentators from the UK and abroad said yesterday Britain needed to clarify and strengthen its commitment to the European Union if it was to continue to exercise a wider global role.

Speakers at a UK government-sponsored conference in London emphasised that uncertainty about Britain's position in Europe was diminishing its influence within the EU and could damage the country's economic and commercial interests.

Their focus on the importance of relations with the rest of Europe contrasted sharply with the assertion by Mr John Major, the prime minister, that "domestic debate in Britain focused far too narrowly on the internal workings of the EU".

Mr Major, who opened the conference, barely mentioned European policy in his 40-minute speech, in which he stressed that Britain was first and foremost a nation state "attached to our independence, our sovereignty and our national peculiarities".

Although the UK worked particularly closely with its EU partners, it still pursued a global foreign policy with a wide range of international political, economic, and defence commitments.

However, Mr Peter Bonfield, chairman of ICL, the largest UK computer company, told Mr Major that Britain risked being marginalised in Europe and ignored by the rest of the world unless it came to terms with the realities of EU membership.

Conference report ....Page 10
Editorial Comment ....Page 15
Observer ....Page 15

Mr Howard Davies, director-general of the Confederation of British Industry, representing corporate interests, also called on the UK to commit itself firmly to the EU and said other countries were confused about Britain's foreign policy.

Dr Henry Kissinger, former US secretary of state, said the UK could play an important role in forging a stronger transatlantic relationship – though as a representative of Europe, not as an individual nation.

Dr Horst Teltschik, a director of BMW and a former senior adviser to German chancellor Helmut Kohl, warned that Britain would forgo important global diplomatic and economic opportunities if its position in the EU remained ambiguous.

This theme was echoed by Dr Josef Joffe of the Süddeutsche Zeitung, who urged Britain to play a full part in the EU. "But to be a key player, one has to play and stay in the game," he said.

Mr Douglas Hurd, the UK foreign secretary, sought to carve out middle ground by acknowledging the benefits of EU membership, while calling on its members to look outwards. He said Britain's world position was one of the EU's strengths.

Mr Major said the UK was considering launching an initiative to "press for really effective reforms" of the United Nations.

He said he would press the UN to reactivate attempts to persuade Iraq to accept a slight relaxation of trade sanctions, so the Gulf state could sell a small amount of oil provided the proceeds were earmarked for the import of food and medicines.

Manila to sue airline chief for $1bn in unpaid taxes

By Edward Luce in Manila

The government of President Fidel Ramos yesterday said it would sue the chairman of Philippine Airlines for $1bn in unpaid taxes after failing to resolve a row over a rescue plan for the ailing national carrier.

The move came as the government instructed its representatives on the board of PAL to veto a proposal by Mr Lucio Tan, the chairman, to inject $400m into the lossmaking airline.

The government has been fighting a running battle over PAL with Mr Tan, who is believed to be the Philippines' richest businessman. Mr Tan rose to prominence through a close association with former president Ferdinand Marcos, under whose regime he acquired lucrative rights to the tobacco monopoly. He is chairman and majority owner of PR Holdings, which controls 67 per cent of PAL and includes several government-owned banks as minority shareholders. He also owns an array of leading Philippine businesses including Fortune Tobacco and Asia Brewery.

The government wants to convert its shares in PR Holdings into direct equity in PAL as a condition for the rescue. But Mr Tan, who owns 50.5 per cent of PR Holdings, fears this would dilute his personal control over the airline.

Successive administrations have striven, largely in vain, to recover the billions of dollars of taxes left unpaid by companies with close connections to government during the Marcos era.

Mr Ramos has staked his administration's reputation on modernising the country's opaque tax system and enforcing the collection of back taxes.

"The government has wanted Mr Tan's scalp for a long time," a government official said. "If we can succeed in reclaiming at least some of Mr Tan's tax arrears then we could broadcast to the world that the Philippines will no longer tolerate dubious accounting practices."

In a 90-page petition Mr Raul Goco, the solicitor-general, listed Mr Tan's alleged tax evasions and requested the high court prosecute the businessman. "The tax fraud committed by Tan and his associates is the biggest by far in Philippine history that was uncovered by the Bureau of Internal Revenue," Mr Goco said.

"Fortune Tobacco Company has engaged in fraud by understating its manufacturers' gross selling price through the simple act of selling its cigarette products to fictitious individuals and dummy corporations," the petition stated. Mr Tan was unavailable for comment.

It is widely thought the decision to prosecute Mr Tan is also a government ploy to increase pressure on the PAL chairman to allow state companies greater say in running the airline.

Philippine flag carrier in a nosedive, Page 8

Brussels set to act against fraud

Continued from Page 1

din, who noted that some member states have as many as 70 definitions of fraud.

The commissioner also expressed dismay that only 4 per cent of money was recovered in fraud cases, and criticised the system whereby member states can be rewarded with a "bounty" of 20 per cent of money recovered. She said they – not the Commission – were chiefly responsible for preventing and tackling fraud.

Both Mrs Gradin and Mr Erkki Liikanen, the new Finnish budget commissioner, are introducing wide-ranging reforms in financial management in the European Commission aimed at tightening controls and curbing the spending mentality which has held sway inside institutions since the founding of the EU in 1957.

Canada and EU move towards solving fish dispute

By Caroline Southey in Brussels, Bernard Simon in Toronto and Michael Littlejohns in New York

Canadian and European Union officials yesterday reported progress on talks to end a three-week old dispute over fishing rights in disputed waters off Newfoundland.

The negotiations, covering enforcement measures, conservation of fish stocks and the allocation of a quota for Greenland halibut, also known as turbot, were being conducted in a "new spirit of co-operation", a European Commission official said.

A Canadian official said "significant progress" had been made in the talks, particularly on the question of improved enforcement measures.

But in a further indication of tension on the issue within the EU, there were reports from Brussels that Britain had blocked the sending of a letter of protest to Canada in the name of all 15 EU states. The development came a day after a British official in Brussels said the UK would veto EU attempts to impose sanctions against Canada. Spain was expected to press EU ambassadors to impose sanctions at a meeting today.

In London, Mr Douglas Hurd, the UK foreign secretary, called on both sides to "hold off" while negotiations were under way. "The Spaniards should not fish in waters where the difficulties lie and the Canadians should be careful about things like cutting nets," he said.

There was little activity yesterday in the disputed fishing grounds just outside Canada's 200-mile fishing zone, known as the "nose" of the Grand Banks. A Canadian fisheries official said the Spanish trawler fleet had moved east of the disputed area.

According to Canadian surveillance flights, one of the Spanish boats, the Pescamaro Uno, had recovered its nets, which were cut by a Canadian patrol vessel last Sunday.

In New York, Mr Satya Nandan, chairman of a UN conference on fish conservation, appealed for calm between Canada and the EU. He added that he was concerned about the lack of settlement procedures in the Northwest Atlantic Fisheries Organisation in a dispute such as between Canada and Spain, both of which are members.

Mrs Emma Bonino, EU commissioner for fisheries, said yesterday it was time to "stop the war of words". "I am deeply worried about the aggressive attitude of the Canadian authorities because we will only find a long-term solution to the conflict by respecting international law and ... through negotiation," she said.

The Commission has prepared a list of possible measures the EU could take against Canada should the dispute worsen.

THE LEX COLUMN

Reshaping Shell

No names were mentioned in the speech delivered to Shell's staff yesterday outlining the group's long-awaited restructuring plans. But the spectres of BP and Exxon loomed large. Shell, which is vying with Exxon to be the world's largest oil producer and refiner, wants to beat Exxon's return on capital too. Although Shell's ROC edged back into double digits last year, it still lags Exxon, and was even overtaken by BP in the fourth quarter.

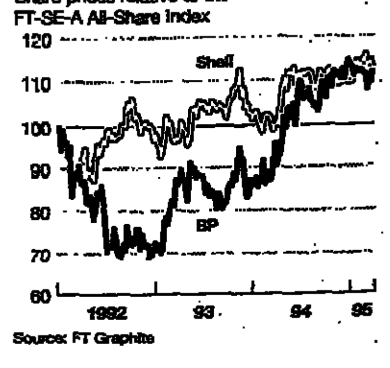
There are several reasons for this: Shell has a large, low-performing cash pile; it pursues an aggressive capital expenditure programme, and its costs are still high relative to the rest of the industry. Yesterday's plans appear to have little direct impact in any of these areas. Shell is right to simplify its management structures, but the estimated $200m-$300m in direct cost-cutting is negligible in the context of the group's total costs.

One way of cutting costs more drastically would be to trim its heavy capital expenditure programme, but Shell's decision to maintain capital expenditure is justified. Its investments are sometimes slow to pay off, but Shell has already managed to increase its bias towards high-return businesses. It has shed its mining interests, which were dragging down returns, and is performing well in the fast-growing natural gas market and in emerging markets. However if Shell wants to move more swiftly to enhance returns it should consider giving some cash back to shareholders.

FT-SE Eurotrack 200: 1349.1 (-4.4)

Oil companies

Share prices relative to the FT-SE-A All-Share Index



Source: FT Graphite

Deutsche Bank

Deutsche Bank was never going to repeat its record 1993 figures, but 1994 turned out to be an exceedingly disappointing year.

The enormous bank made virtually no money in the last two months of 1994. Full year net profits, excluding minorities, were DM1.36bn, just DM13m more than in the year to October. To borrow a phrase from chairman Mr Hilmar Kopper, this is peanuts.

Earnings growth should revive this year and next, especially if provisions are further reduced and trading income recovers. But this alone is not enough to turn the tide of investors' sentiment in the bank's favour. Even with the shares down 11 per cent this month and nearly 30 per cent over the past year, they still look expensive against other European financial institutions on pure valuation grounds.

Moreover, the cosy domestic market, which has been the basis of Deutsche's prosperity for decades, is becoming noticeably more competitive: money market funds and telephone banking are eroding Deutsche's cheap financing base.

It is doubtful whether the management, distracted by one corporate entanglement after another in recent years, has formulated the right response to this long-term problem. The desired push into investment banking may be necessary but is taking too long to execute. Morgan Grenfell has proved a success, but other acquisitions outside Germany – notably the purchase of ITT's financial services arm last December – look more questionable.

US telecoms

Sprint's alliance with three cable companies, formalised yesterday, involves a big push into two new markets: the provision of telephone services over cable television networks; and personal communications services, a new type of mobile telecoms. Sprint and its partners – TCI, Comcast and Cox – will be investing $4.4bn of equity over the next three years in their joint venture. Given that there is scope for borrowing, the total investment could be much greater.

Since neither market yet exists in the US, Sprint's strategy is risky. Moreover, Sprint may well have to gear up its own balance sheet to finance its $1.8bn share of the investment. When the venture was originally envisaged, the company was hoping to finance its expansion through a $4.2bn equity injection from Deutsche Telekom and France Télécom. The snag is that the US government has yet to approve the cash injection because it is concerned that the German and French telecoms markets are still closed – though this week's announcement by Germany of plans to open its market from 1998 may help matters for at least one prospective partner.

Despite such risks, Sprint's expansion drive could bring big rewards. The UK has already shown that there are substantial economies of scope in providing telephone services in combination with cable TV. Meanwhile, Sprint's bet that consumers will prefer to buy their mobile, local and long-distance services from a single supplier looks sound.

Gilts

The Bank of England may have been slow to appreciate the need to modernise the gilts market, but it is now a big enthusiast for reform. Yesterday's announcement of rules for the new gilt "repo" market takes this shift one step further.

The bank has adopted a liberal approach, which will allow investors and intermediaries to lend each other gilts freely. By making gilts more attractive as an investment, the bank should be able to shave a little bit off the government's future funding costs – though some of the more excited estimates of how much could be saved should be taken with a pinch of salt given that the funding programme is tailing off as the budget deficit falls.

Further changes to the gilts market are in the pipeline. The bank seems likely to issue more index-linked stock. That should be a good way of reducing government funding costs: provided the bank can keep to its counter-inflation policy, paying investors interest of 8¼ per cent to buy conventional gilts is crazy.

If only the London Stock Exchange would take a leaf out of the bank's book and embark on similar modernisation of the equity market. The Office of Fair Trading has recently pointed to a raft of practices that need reforming – including restrictions on stock-borrowing and the multiple privileges enjoyed by market makers. If modernisation of the gilt market can reduce the government's funding costs by making it more attractive to investors, modernising the equity market could similarly cut industry's cost of capital.

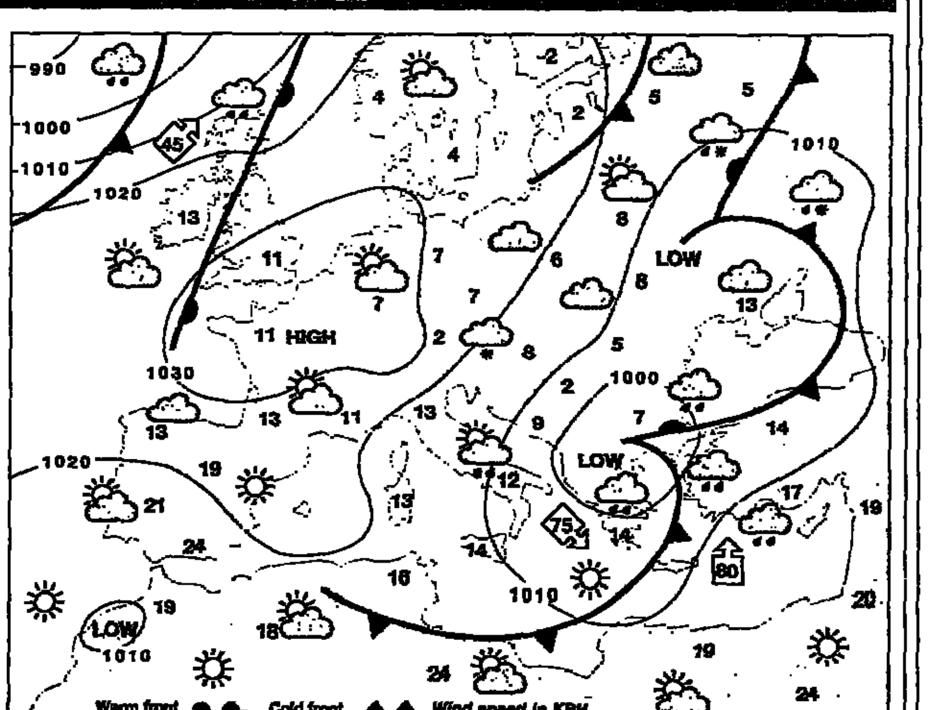
FT WEATHER GUIDE

Europe today

Snow showers in the North Sea will end and most of western Europe will be settled with sunny spells. Temperatures will rise considerably after a morning of widespread light frost but southern France will have a strong Mistral producing blizzards in the southern Alps. Britain will continue mild but there will be more cloud and some drizzle in northern Ireland and Scotland. The Norwegian coast and the Balkans will be wet and stormy with snow on higher ground. It will be unseasonably cool from Finland to Greece with widespread frost and variable cloud.

Five-day forecast

The unsettled conditions will shift towards the Black Sea on Friday before creeping northwards into Russia during Saturday. France and the southern UK will, in general, be rather warm and sunny. The Alps will start to become spring-like on Saturday. A strong westerly air flow will shift south-west during the weekend, spreading unsettled conditions from Scandinavia across central and north-eastern Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	sun	27
Accra	thund	31
Algiers	fair	16
Amsterdam	sun	9
Athens	cloudy	18
Atlanta	fair	21
B. Aires	fair	23
B.ham	fair	10
Bangkok	thund	35
Barcelona	fair	15

Beijing	sun	14
Belfast	drzzl	12
Belgrade	rain	1
Berlin	sun	5
Bermuda	cloudy	20
Bogota	shower	21
Bombay	sun	31
Brussels	sun	8
Budapest	drzzl	8
C.hagen	fair	6
Cairo	sun	26
Cape Town	fair	25

Caracas	fair	29
Cardiff	cloudy	10
Casablanca	fair	22
Chicago	cloudy	7
Cologne	fair	7
Dakar	sun	24
Dallas	rain	14
Delhi	sun	31
Dubai	sun	26
Dublin	cloudy	13
Dubrovnik	shower	9
Edinburgh	cloudy	12

Faro	fair	22
Frankfurt	fair	6
Geneva	sun	6
Gibraltar	sun	19
Glasgow	drzzl	11
Hamburg	sun	6
Helsinki	fair	-1
Hong Kong	cloudy	22
Honolulu	shower	28
Istanbul	rain	15
Jakarta	shower	31
Jersey	sun	11
Karachi	sun	31
Kuwait	sun	29
L. Angeles	sun	23
Las Palmas	fair	23
Lima	cloudy	26
Lisbon	fair	23
London	fair	11
Lux.bourg	sun	6
Lyon	sun	7
Madeira	sun	20

Madrid	sun	19
Majorca	sun	15
Malta	sun	15
Manchester	cloudy	9
Manila	fair	32
Melbourne	shower	18
Mexico City	sun	26
Miami	fair	29
Milan	sun	14
Montreal	cloudy	5
Moscow	cloudy	5
Munich	fair	1
Nairobi	fair	27
Naples	fair	11
Nassau	fair	28
New York	fair	12
Nice	sun	14
Nicosia	fair	22
Oslo	fair	4
Paris	sun	11
Perth	fair	26
Prague	fair	2

Rangoon	fair	34
Reykjavik	rain	8
Rio	shower	28
Rome	fair	12
S. Frsco	sun	21
Seoul	shower	12
Singapore	fair	32
Stockholm	fair	5
Strasbourg	cloudy	6
Sydney	fair	22
Tangier	fair	23
Tel Aviv	sun	22
Tokyo	rain	12
Toronto	cloudy	6
Vancouver	sun	15
Venice	cloudy	12
Vienna	cloudy	4
Warsaw	fair	6
Washington	cloudy	17
Wellington	shower	19
Winnipeg	sun	3
Zurich	cloudy	4

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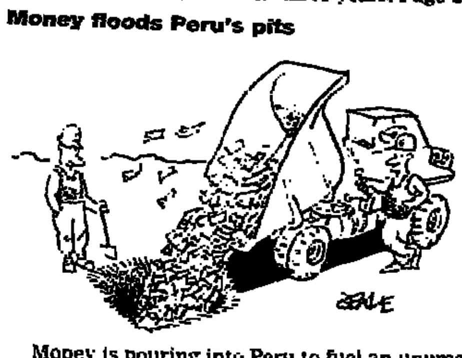
IN BRIEF

US telecoms group to invest $4.4bn

The US telecoms consortium formed last October by Sprint, the long distance telephone company, and three cable TV operators, is to invest $4.4bn cash in the venture during the next three years. Page 20

Money floods Peru's pits



Money is pouring into Peru to fuel an unprecedented mining boom. This will see spending on mining projects over the 10 years to 2003 total at least $8.7bn. Page 32

BASF misses target despite profits rise
BASF, the German chemicals group, said a 100 per cent increase in pre-tax profits last year had produced an inadequate return on investment. Page 18

Profits at French bank group climb 15%
Economic recovery among small French businesses helped lift net profits at Groupe Banques Populaires, the French banking group, 15 per cent to FFr1.57bn ($318m) last year. Page 18

Price of polluting drops in US
The cost of contributing to the production of acid rain in the US fell this week with the US Environmental Protection Agency's auction of pollution allowances. Page 20

Queens Moat plots a survival plan
Queens Moat Houses, the heavily-indebted hotels group, revealed a strong improvement in operating profits and outlined the task it faces to survive under its new financing regime. Page 24

Increased demand lifts Blue Circle 11%
Increased demand for building materials in the UK and the US enabled Blue Circle, Britain's biggest cement manufacturer, to lift pre-tax profits for 1994 by 11 per cent. Page 23

Provision hits Coats Viyella
Pre-tax profits at Coats Viyella, the UK's largest textiles and clothing company, fell 30 per cent to £105.1m ($166m) after provisions for losses on the sale of the carpets and yarns units. Page 23

Malaysian market moves ahead
Share prices in Kuala Lumpur moved ahead strongly for the second day and trading volume surged to four times the recent average. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Continental	196	+	5.5
MAN	335	+	9
PWA	258	+	6
Volkswagen	347	+	10.5
Falls			
CKAG Colonia Pr	650	-	30
Leifheit	640	-	15
NEW YORK ($)			
Rises			
Caterpillar	55⅝	+	3½
Clark Equip	81¼	+	28¼
LCI Intl	26	+	1¼
OHM Corp	10⅞	+	1
Three Five Sys	25⅞	+	2⅞
Falls			
Micron	81¼	-	3
LONDON (Pence)			
Rises			
Cakebread Rby	65	+	7
Colleagues	150	+	9
Zetters	104	+	6
Falls			
Croda Intl	335	-	26
Herring Baker	8	-	4
Presidio A	13	-	30
TORONTO (C$)			
Rises			
Cognos	31	+	1⅞
Jannock	17½	+	⅞
Falls			
Donohue Inc B	17⅛	-	¾
Econ Tech	14	-	¾
Plaintree Sys	14⅛	-	¾
Terra Inds	15⅜	-	⅛
PARIS (FFr)			
Rises			
Bongrain	2900	+	125

Euro RSCG	560	+	31
Falls			
AGF	151.5	-	8.5
Dollfus Mieg Cie	230	-	11.8
Renault	164	-	9.2
Vallourec	230.5	-	25.8
TOKYO (Yen)			
Rises			
Sumitomo Realty	559	+	29
Falls			
Aoyama Trading	1270	-	140
Long Term Crdt	800	-	76
Mitsui Tr & Bk	835	-	50
Yamaichi Secs	573	-	57
Yuasa Corp	498	-	31
HONG KONG (HK$)			
Rises			
China Assets	3.95	+	0.2
Grande Hldgs	7.2	+	0.5
Henderson Inv	5.85	+	0.3
Tsingtao Brew	4.075	+	0.475
Vtech Hldgs	7.5	+	0.35
Falls			
HK Elec	25.3	-	0.85
BANGKOK (Baht)			
Rises			
Distar Elec	93.5	+	8.5
Jasmine Intl	148	+	10
Karat Sanitary	99	+	9
Thai Stp	62.5	+	5.5
Falls			
Kulthorn Kirby	53.5	-	4.5
Nonthavej	30.25	-	4.25

New York and Toronto prices at 11:30.

Own-account trading profits in Germany's largest bank fall 73% due to weak bonds

Deutsche Bank upbeat despite fall

By Andrew Fisher in Frankfurt

Deutsche Bank, Germany's largest bank, is more optimistic about prospects for 1995 after a year in which profits fell sharply as a result of the weakness of world bond markets.

Group operating profits fell 23 per cent in 1994 to DM4.05bn ($2.9bn), putting them back to around the level of 1991. This year, said Mr Hilmar Kopper, chairman, "we expect a clear improvement". The first two months had been encouraging - "it will not be a dramatically good year, but it will certainly be better than last year".

Trading profits on its own account slumped 73 per cent to DM537m. Mr Kopper said bond trading had produced a loss of DM369m, but profits on share trading had offset this slightly.

The challenge for the bank was to reverse the downward move in 1995, he added. Referring to the fact that all international markets were hit by the drop in bond prices which followed the rise in interest rates, he said: "We don't have to cover ourselves in ashes but we have to be ambitious."

There was little change in the bank's basic business, with the interest surplus down 1.4 per cent to DM11.5bn and commission earnings 1.2 per cent higher at DM5.9bn. Pre-tax profits were 31 per cent lower at DM3.2bn; this was after a DM748m profit on investments, mainly due to the sale of shares in Daimler-Benz, Karstadt and Horten.

Net income fell 39 per cent to DM1.36bn after DM296m of anniversary costs - the bank is 125 years old this year - relating mostly to bonus payments to employees. The tax advantage from losses carried forward as a result of lending to the collapsed Schneider property group will only take effect in future years.

Mr Kopper said the 34 per cent fall in risk provisions to DM2.17bn reflected a reduction in country risk provisions and the fact that some of the Daimler-Benz shares placed in the US had been held for many years and were classed as liquid assets; these two factors accounted for nearly DM700m. New provisions to cover domestic loan risks remained high, however.

He said the bank continued to keep a tight grip on costs, which rose 5.8 per cent to DM12.4bn. This rate of increase was less than half of that in 1993. Deutsche Bank has already announced a DM3 anniversary bonus to shareholders on top of an unchanged DM16.50 dividend. Total assets rose 3 per cent to DM573bn.

Lex, Page 16

Pre-tax profits at Morgan Grenfell, the London investment bank owned by Deutsche Bank, fell nearly 34 per cent to a little over £150m ($240m) after a steep decline in results from emerging market operations. Divisions such as corporate finance are understood to have steadied or improved. Story, Page 18

Gerard Baker reports on the Japanese merger

Hard work ahead for banking's mega marriage

As the managements of Mitsubishi Bank and Bank of Tokyo get down to planning their future together, uppermost in their minds will be the unhappy experience of other banks that have tied the knot in the last three decades. Though the two banks' combined strength suggests they may be able to make more of the marriage than other companies have in the past, they will still face formidable difficulties.

Initial reaction to the plan in the financial markets and among regulators yesterday was warm. The usually sceptical Japanese press welcomed the move, and Moody's, the credit rating agency, said it was reviewing the banks' debt ratings for a possible upgrade. Most importantly, the authorities were quick to bless the union. Mr Masayoshi Takemura, the finance minister, met the presidents of the two banks yesterday morning and pronounced himself pleased with the outline of their proposal: the new bank would "provide the customer with sophisticated banking services for the 21st century", he said.

But the mechanics of the merger may puncture some of the euphoria. Though the finance ministry seems certain to give overall approval to the plan, a number of secondary regulatory questions need to be resolved. The anti-trust implications of the presence of the banks' subsidiaries in California will have to be examined before US regulators give the green light. In Japan, banks are not permitted to own more than 5 per cent of a single company. There are around 100 companies in which the the two banks' combined equity share is more than 5 per cent, so there will need to be substantial disposals.

In the last 30 years there have been three mergers among Japan's big commercial banks. None has been an outstanding success.

All three were supposed to deliver synergies and economies of scale that would cut costs and bolster profits. None of the three - Dai-Ichi and Nippon Kangyo, which merged to form Dai-Ichi Kangyo; Mitsui and Taiyo Kobe (Sakura), and Kyowa and Saitama (Asahi) - managed to do so. Much duplication remains and the vaunted rationalisations have hardly occurred.

Mitsubishi and Bank of Tokyo officials like to point to two factors that will make their case a success. First, the two banks are combining from a position of strength. Previous mergers have been primarily a stronger bank taking over a weaker one but in this case, the two banks are both among the strongest in the sector. Second, the two companies differ in scope and activities - Mitsubishi operates mainly in the domestic market and retail activities, while Bank of Tokyo is international and wholesale - and so are more complementary than previous tie-ups.

Despite the neat fit, there will still be large areas of overlap, such as head office operations and overseas branches, where rationalisation is supposed to produce the most beneficial effects. Other banks' experience suggests, however, that rationalisation is hardest to achieve because of deep-seated cultural differences.

In Japan companies are more than simply associations of individuals for the pursuit of financial benefit. They are, in effect, extended families, with their own historical tradition, ethos, and mores. "The Confucian philosophy is usually more important than the raw capitalist one in determining the strategy of Japanese companies," says one analyst. "That makes Japanese mergers very unproductive."

Employees feel a fierce loyalty to a company, even after it has merged with another. At Dai-Ichi Kangyo Bank, employees still count themselves as Dai-Ichi or Nippon people. At Sakura Bank the position is compounded by the existence of three separate banking traditions.

The process of integrating the cultures can take many years. Convention dictates that the different traditions have to be respected. Senior posts alternate for decades between employees of one bank and those of the other, resulting in the individual's company background often having more importance than his or her ability.

The problem could be particularly acute at Tokyo Mitsubishi. The merger represents, in effect, a takeover by Mitsubishi, which is more than twice the size of Bank of Tokyo. That makes it even more probable that Bank of Tokyo people will work to ensure that their interests are protected.

So while the two companies possess strengths that should not be vitiated in a united bank, they are likely to find that, in the words of a manager at another merged bank, that "the whole is rather less than the sum of the parts".

VW confirms recovery with 3% sales rise

By Haig Simonian in Wolfsburg

Volkswagen, Europe's leading volume car producer, raised sales by 3 per cent in the first quarter of this year, confirming a gradual recovery in its main markets.

Turnover for the three months increased to DM20.6bn ($14.8bn) from DM20bn in the same period last year, despite a 3.7 per cent fall in unit sales, said Mr Ferdinand Piëch, chief executive.

First-quarter earnings were almost at break-even level, compared with a DM342m loss in the same period in 1994.

Mr Piëch expected turnover for 1995 to be slightly above the DM80bn reported in 1994, while the group expected "a small improvement" in profits from 1994's DM150m.

Confirming VW's more upbeat mood after a period of restructuring and management turmoil, Mr Piëch announced an increase in the dividend to DM3 for ordinary shares and DM4 for preference shares. He said his target was a 8 per cent pre-tax profit margin before the year 2000.

Mr Piëch said progress had been made on restructuring, "but we are only 20 per cent of the way". He singled out action at Seat in Spain and Skoda in the Czech Republic as well as the need to continue reducing German production costs.

Net losses at Seat fell to DM347m last year from DM1.8bn in 1993, while Skoda cut its losses to DM132m from DM246m. Among profit makers, net earnings at Autolatina, the South American operation, rose to DM489m from DM308m, while the core VW vehicles business raised earnings to DM165m from DM71m.

Mr Piëch said VW had cut its break-even point to 73 per cent of capacity last year and his target of 65 per cent had now been toughened. Much of this year's improvement would come from an expected productivity increase of between 5 and 7 per cent.

However, VW still has a formidable task ahead. Further domestic restructuring is constrained by Germany's tough labour laws and the shareholding held by the state of Lower Saxony.

Currency fluctuations and the strong D-Mark are another key factor. Mr Bruno Adelt, finance director, said monetary volatility had been mitigated by hedging 75-80 per cent of VW's currency exposure. But while VW has been badly hit by currency weakness in Italy, its second-biggest market, depreciations in Spain and Mexico, has been largely beneficial, he argued.

For example, in wake of the collapse of the Mexican peso against the US dollar, VW planned to raise its US sales by 30 per cent using cars from its Mexican Puebla plant.

Confirming the more bullish outlook, investment spending will rise by DM1bn to DM5.2bn this year. Measures would improve production of the new Polo model, where demand had exceeded expectations.

German bank seeks to buy UK fund manager

By Norma Cohen, Investments Correspondent

Commerzbank, Germany's third-largest bank, is today expected to announce it has agreed to buy 75 per cent of Jupiter Tyndall, the UK-based fund management group, in a deal which values the whole company at £174m ($278.4m).

Commerzbank will offer Jupiter shareholders 420p per share while Jupiter will pay shareholders a final dividend of 10p, for a total payment of 430p per share.

The deal will create a new holding company for Jupiter which will be 75 per cent owned by Commerzbank and 25 per cent owned by Jupiter's management.

Jupiter's management controls 40 per cent of the company through stock and options. The management, which was not available for comment late yesterday, is expected to make a capital injection into the new holding company.

Jupiter's shares closed last night at 402p, up from 395p in December when, following a sharp rise in its share price, it disclosed it was in talks with prospective bidders.

The firm had assets of £4.1bn under management at the end of 1994, £3bn of which were assets of pension fund clients. A further £500m is in Jupiter-managed investment trusts, while the remainder is in open-ended investment funds.

Commerzbank is believed to have won a bidding contest for Jupiter with ABN Amro, the Dutch bank. ABN Amro was also interested in acquiring the fund management business of the collapsed Barings Bank, which was acquired by ING, a rival Netherlands banking group.

Jupiter is also believed to have received expressions of interest from several US bidders.

Jupiter was formed as a fund management company in 1986 by its chairman, Mr John Duffield, and has grown rapidly through acquisition. After merging with Merlin Fund Management, Mr Duffield took the company public in 1991 by reversing into an investment trust called Vantage.

Commerzbank, like other German banks, has been keen to acquire a fund management company with equity-based products which could be distributed through its branches. Dresdner Bank has purchased UK-based fund manager Thornton.

Pearson tunes into TV soaps with $279m Grundy purchase

By Raymond Snoddy in London and Nikki Tait in Sydney

Pearson Television, part of the Pearson media, information and entertainment group, is buying Grundy Worldwide, the independent television production company best known for the Australian soap opera *Neighbours*, in a cash deal worth $279m.

It is Pearson's biggest move into the international television market and the first acquisition by Mr Greg Dyke, the new chairman and chief executive of Pearson Television. Pearson already owns Thames Television, the independent British production company.

Grundy owns a large programme library of soaps, including *Prisoner: Cell Block H*, *Sons and Daughters* and *The Restless Years*. *Neighbours*, which normally gets audiences of between 13m and 14m in the UK, has a five-year contract with the BBC.

Grundy also specialises in the production of game shows. In Australia, *Sale of the Century* is in its 15th year of production.

The company has expanded internationally making dramas and game shows in many countries. In Germany, the drama *Gute Zeiten, Schlechte Zeiten* (Good Times, Bad Times) is the top-rated daily serial.

Mr Reg Grundy, 71, who founded the business 36 years ago, looked for a sale last year but did not find the right price and purchaser.

Instead, Grundy Worldwide announced two weeks ago that it planned to float 35 per cent of its shares in Australia and New York. Grundy indicated an offering price of US$18-US$20 a share, suggesting that around US$100m would be raised for expansion purposes. The entire company would have been valued at US$272m-US$302m. Mr Dyke said that the acquisition would be earnings enhancing in its first year and be a perfect vehicle to expand into Asia.

Last night in Sydney, Mr Tim Hughes, a director of Grundy Worldwide, said that the Pearson offer was attractive because it had been within the range of the flotation valuations, and offered commercial development.

Grundy Worldwide is the holding company for a number of TV production and distribution companies which together reported a net profit of US$15.8m in the year to end-June, on sales of US$79.6m. In the six months to end-December, profits were US$10.4m, and sales, US$43m.

Pearson's share price fell by 10p to 553p yesterday.

Background, Page 24

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BASF falls short of return target as profits surge

By Jenny Luesby in Ludwigshafen

BASF, the German chemicals group, yesterday said a 100 per cent increase in pre-tax profits last year had produced an inadequate return on investment.

Presenting the company's annual results, Mr Jürgen Strube said the company's return on investment before taxes rose to 6.5 per cent last year, from 3.9 per cent the previous year. However, this was still short of the company's target of 10 per cent.

Last year's results were burdened, however, by net extraordinary items of some DM800m ($571m). These were heaviest in north America where restructuring costs, and a writedown of DM535m, principally due to lower earnings expectation in the fibres business, brought net charges of DM700m.

However, while fibres and plastics only broke even last year, in spite of substantial price rises in plastics, the chemicals business reported a sharp rise in profits on the back of the cyclical upturn.

A 73 per cent rise in operating profit on sales growth of 20.7 per cent, saw chemical margins rise to just over 20 per cent, and generated DM552m of the DM1.1bn increase in total operating profit. Dyestuffs also recorded strong profit growth, while 1993 losses on agricultural products were reversed.

Total pre-tax profit rose from DM1.05bn in 1993 to DM2.11bn last year. Cashflow was also improved, up 20 per cent at DM5.56bn.

Earnings per share, using German accounting standards, rose to DM20.7, from DM9.2 in 1993. Nonetheless, said Mr Strube, chemical prices were still too low, and the company was particularly dissatisfied with the performance of its fertiliser and printing systems businesses.

Margins also remained low, and sales declined in the oil and gas business, as a result of falling prices. BASF expected profits of DM100m on its oil and gas business within five years, however, and it was pursuing further expansion in this area.

The consumer products business, which includes pharmaceuticals, reported an operating loss of DM37m, down from a loss of DM171m in 1993. However, this would be improved with the acquisition of Boots Pharmaceuticals, the company said. Mr Strube emphasised that the group's exposure to currency fluctuations had been overestimated by the markets.

FLS Industries ahead at DKr425m for year

By Hilary Barnes in Copenhagen

FLS Industries, a supplier of cement industry plant, building materials and transport services, increased net profits to DKr425m ($76m) last year from DKr28m in 1993.

The board proposed restoring the dividend to DKr12 per share (12 per cent) after reducing it to DKr8 for 1993.

Group turnover increased to DKr14.47bn from DKr12.14bn, with part of the increase reflecting structural changes within the group. Profits after net financial items increased to DKr583m from DKr136m.

A sharp decline in losses at several group subsidiaries, including FLS Aerospace, the UK-based aircraft maintenance group, and FLS Miljo, supplier of flue-gas cleansing equipment, and the global economic recovery contributed to the 1994 performance, said the preliminary statement.

F. L. Smidth-Fuller Engineering, the Danish American group which manufactures and supplies plant for cement making, made a pre-tax profit of DKr366m, a fall of DKr10m.

Earnings at French bank group climb 15%

By Andrew Jack in Paris

Economic recovery among small French businesses helped lift net profits at Groupe Banques Populaires, the French banking group, 15 per cent to FFr1.57bn ($318m) last year.

While many French banks have struggled to increase their loans over the past year, the group was able to report an increase in new loans of 32 per cent to FFr241bn last year. Mr Jacques Delmas-Marsalet, chairman, said the 1994 result was a "double success", reflecting a substantial increase in loans and an improvement in operating profits before provisions. The group reported an increase in total assets of 5.2 per cent to FFr463bn and net banking income up 0.7 per cent to FFr18.45bn.

Operating profits rose 0.4 per cent to FFr5.47bn and provisions fell 9.5 per cent to FFr2.77bn.

Mr Delmas-Marsalet said that recovery of investment and the demand for new loans from small businesses had helped the bank emerge from the recession more quickly than a number of its competitors. He added that the group had correspondingly suffered earlier than others at the start of France's economic downturn.

Total deposits from customers rose 11.8 per cent to FFr276bn. The group maintained its productivity, with the ratio of costs and depreciation against banking income stable at 70.4 per cent.

At 10.5 per cent, the group was also able to maintain its solvability well above the European minimum ratio of 8 per cent.

The group predicted that its 1995 profit would be "in line" with those of 1994, as a result of better economic conditions.

Separately, Crédit National, the French banking group, reported an 80 per cent decline in net group profits to FFr67m, compared with FFr330m in 1993.

The company recommended a dividend of FFr12 a share against FFr20 in 1993.

IMI stake may be sold to core shareholders

By Andrew Hill in Milan

The Italian treasury may not need to offer any of its remaining shares in IMI, the Italian banking and financial services group, to the public, the company's chairman said yesterday.

Mr Luigi Arcuti claimed there was so much interest in the government's 28 per cent stake that it could probably be sold direct to a core of professional investors, including other banks.

IMI yesterday announced a net profit for the group of L551bn ($324m) for the calendar year 1994, against a profit of L560bn for 1993, adjusted for accounting changes. The bank said the directly comparable figure for 1993 was L623bn, which excludes provisions for general banking risks. The company had already recommended an unchanged dividend of L400 a share for 1994.

Last year, the Italian treasury sold off just over half its majority stake in IMI through a public offer. Mr Lamberto Dini, Italy's prime minister, confirmed on Monday that the treasury was seeking to place most of the rest of its holding with a core group of shareholders and that outstanding shares would be sold through another public offer.

However, IMI's main banking shareholders – Cariplo, the Milan savings bank, Istituto Bancario San Paolo di Torino, and Monte dei Paschi di Siena – already aim to increase their existing stakes in IMI to 10 per cent each, and Mr Arcuti said there was also strong interest from other banks and industrial investors.

The final decision will be taken by the treasury, and Mr Arcuti played down suggestions that IMI might consider taking on banking assets from potential shareholders in "exchange" for an increased stake. IMI is itself seeking a role in forthcoming sell-offs, such as the sale of the government's majority stake in Stet, the telecoms holding company.

Separately, Credito Italiano (Credit), the Milan-based bank, and National Westminster, the UK banking group, have agreed the sale of their combined 87 per cent stake in Creditwest e dei Comuni Vesuviani, a small Milan-based bank.

Credito Italiano said that Credito Emiliano, a growing privately owned Italian banking group, had agreed to pay L11,727 a share for Creditwest, valuing Credit's 68 per cent stake at L126bn. NatWest said it would receive £12.9m ($20.64m) for its 19.2 per cent stake taking a £5m profit. Credito Emiliano will be obliged to launch a formal bid for the outstanding shares.

Emerging markets hit Morgan Grenfell

By Nicholas Denton

The decline in emerging market debt markets depressed last year's profits at Morgan Grenfell, the London investment bank owned by Deutsche Bank of Germany.

Pre-tax profits fell by nearly 34 per cent to a little over £150m ($240m) in 1994, said Deutsche Bank.

Morgan Grenfell did not provide details of its results itself, in advance of its own announcement today. However, it is believed the deterioration is accounted for by debt arbitrage and trading, and treasury activities, which provided a third of revenues in 1993, but suffered in 1994 from rising interest rates.

The steepest decline in profits came in emerging market operations, which Morgan Grenfell has built up by recruiting debt specialists from Libra Bank, a specialist in Latin American debt, and an equity team from James Capel, the UK stockbroker.

The investment bank still contributed DM300m ($214m) to Deutsche Bank's own-account trading results, Mr Juergen Krumnow, a board member of Deutsche Bank told Reuters.

Other divisions of Morgan Grenfell, such as corporate finance, are understood to have maintained or improved upon their performance in 1993. Executives believe pre-tax profits are on a steadily rising trend, interrupted only by the market surge in 1993 and a correction in 1994.

Morgan Grenfell and its parent's investment banking business are merging five years after Deutsche Bank bought the UK merchant bank at a cost of £950m. However, Mr John Craven, Morgan Grenfell's chairman, said the process would continue to be one of "evolutionary change."

He saw no immediate need for a change in their legal status. Ten working groups combining executives from both Morgan Grenfell and its parent are resolving 18 merger issues.

Deutsche Bank sets up 24-hour operation

By Andrew Fisher in Frankfurt

Deutsche Bank has joined the intensifying competition in Germany to attract customers looking for cheaper, quicker service by setting up the country's first comprehensive 24-hour, seven-day a week banking operation to start operations this autumn.

Called Bank 24, Mr Hilmar Kopper, chairman of Deutsche Bank, said it would be aimed at younger customers "and anyone who has remained young".

Access will be by telephone, fax and personal computer and a full range of current, savings and investment accounts will be offered, along with discount brokerage and credit services. A full range of financial services will eventually be offered.

Like Comdirect, the recently announced direct bank of rival Commerzbank which has already started operations, the new Deutsche Bank venture aims to tap the 15 per cent or so of banking customers whom studies have shown are likely to be attracted by such convenient low-cost services. Mr Kopper said Bank 24 should have up to 500,000 customers in four years, of whom no more than 20 per cent would be people switching from the main bank.

He said the cost of some services would be half that at the parent bank. Bank 24 will be run separately, with its own management and staffing structure. It will be based in Bonn, no longer the capital but still the seat of government, because part-time staff availability is plentiful. Its share capital will be DM120m ($86m) and the new bank will employ between 500 and 600 people.

Mr Kopper said Bank 24 might later be introduced in Italy, Spain and Portugal where Deutsche Bank has local operations.

Tractebel improves to BFr10.7bn

By Caroline Southey in Brussels

Net profits at Tractebel, the Belgian energy and civil engineering group, rose from BFr9.91bn to BFr10.7bn ($371m) in the year to December 31.

Improved performances in the group's seven divisions helped push up turnover from BFr285bn to BFr298bn. A 9 per cent increase in electricity use by the group's industrial customers boosted the electricity operation.

Contributions from Tractebel's divisions other than electricity, including engineering, natural gas, communications, water and property represented 28 per cent of total profits against 25 per cent last time and 15 per cent in 1992.

"The increase in the share of the results from these activities corresponds to the objectives which the group has set itself," the company said. It wants to reduce the contribution of its Belgian electricity activities to 60 per cent of the total.

Tractebel has been increasing its international activities. A technical agreement signed with SEP, the Dutch power company, allows the groups to call on each other's reserve generating capacities.

"This will enable both countries to cut down their reserve capacities, while maintaining the present quality of service," Tractebel said.

The board will propose a net dividend of BFr355, up from BFr340 last time.

NCC resumes dividends as sector picks up

By Christopher Brown-Humes in Stockholm

The first signs of an easing in the deep recession in the Swedish building sector emerged yesterday when NCC, the country's second largest construction group, reported a big increase in profits and a resumption in dividends.

The market upturn was reflected in a near 20 per cent rise in the group's construction orders in 1994 after an unprecedented collapse in activity during the last three years.

"Many signs now indicate that we are entering a period of increased building activity lasting up until the end of the century," said Mr Jan Sjöqvist, NCC president. However, he warned that progress would depend on Sweden's efforts to control fast-rising debt and reduce interest rates.

NCC reported profits after financial items of SKr958m ($131m) for 1994, against SKr175m a year earlier.

The main influence was the sale of the group's 22.5 per cent stake in Avesta Sheffield, the Anglo-Swedish stainless steel producer, which yielded a SKr1.2bn capital gain. Excluding one-off items and revised real estate valuations, profits improved to SKr194m from SKr83m despite a fall in sales to SKr16.5bn from SKr17.6bn.

It is proposing a SKr1 a share dividend.

30th March, 1995

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TOTAL REPORTS HIGHER 1994 NET INCOME AND INCREASES DIVIDEND

The Board of Directors of TOTAL met on March 28 to review the consolidated financial statements for the year ended December 31, 1994 and to close the accounts of the TOTAL SA parent company.

CONSOLIDATED RESULTS

Consolidated results were in line with the estimates released by the Board of Directors after its last meeting on January 31.

In millions of French Francs (FF)	1994	1993
Sales	136,743	135,478
Cash flow	12,272	11,355
Consolidated net income	3,728	3,195
Net income after minority interest	3,385	2,965
Earnings per share (in French Francs)	14.6	13.5

These results were achieved in an unfavourable environment where the oil price, the dollar exchange rate and the European refining margins were all lower than in 1993. The combined impact of these factors, which amounted to more than double the exceptional inventory loss of 1993, were compensated by the internal measures undertaken by TOTAL - increased production levels of the upstream sector and productivity gains.

Sales rose slightly over the period. Oil and gas output increased by more than 4% to 633,000 boe/d (barrel oil equivalent per day) from 606,000 boe/d in 1993 while reserves rose by 6% to 4,303 million boe from 4,060 milion boe in 1993. Refinery throughput advanced by 3% to 855,000 b/d while refined product sales rose 4% to 1,351,000 b/d.

Operating income in 1994 was slightly higher than in 1993. Operating income in 1993 was however negatively affected by an exceptional FF 864 million inventory loss.

In millions of French Francs (FF)	1994	1993
Exploration and Production	2,389	2,162
Trading and Middle East	701	745
Refining and Marketing	2,250	2,488
Chemicals	1,665	1,436
TOTAL	7,005	6,831

- The Exploration and Production segment increased its operating income by 10% despite the decline in oil prices from $17.00/b to $15.80/b and the weaker dollar which averaged FF 5.55 in 1994 versus FF 5.66 in 1993. Growth in operating income was driven by cost reductions and by a 12% increase in output to 345,000 boe/d (including 134,000 b/d of oil and 1,164 Mcf/d of gas) with, in particular, the start-up of operations on Cusiana (Phase 1) in Colombia, Dunbar in the North Sea, and rising production from the Bongkot field in Thailand. The increase in production is in line with the Group's objective to double production outside the Middle East between 1990 and 2000.
  Non-Middle East reserves advanced by 9%, close to previous years' performance, to more than two billion barrels (2,015 million boe). Most of the increase came from reserve additions in Indonesia and Argentina.
- The Trading and Middle East segment's 1994 operating income was slightly lower than in 1993 due to depressed freight rates. Oil production in the Middle East amounted to 287,000 b/d in 1994, 4% less than the previous year. The Group's participation in gas projects in Qatar and Abu Dhabi lifted Middle East reserves by 4% to 2,288 million boe.
- In the Refining and Marketing segment, operating income was depressed by the sharp contraction in refining margins in Europe and the United States. European margins narrowed from $2.50/b in 1993 to $1.80/b in 1994, leading the European refining business to record an operating loss. The other businesses performed well:
  - operating Income from European marketing held steady at a good level.
  - the Group's overseas subsidiaries and special products businesses increased their operating income.
- Operating income from the Chemicals business rose by 16%, despite narrower margins resulting from a strong rise in raw materials prices. Growth in operating income was driven by an 8% increase in sales from FF 18.4 billion to FF 19.9 billion and further productivity enhancement measures in all of the segment's divisions.

No non-recurring items were booked in 1994 to reflect events such as changes in accounting methods, termination of business, or restructuring. In 1993, non-recurring expenses amounted to FF 177 million. Minority interest came to FF 343 million in 1994 compared with FF 230 million in 1993.

Gross investments amounted to FF 13,637 million in 1994 versus FF 18,430 million in 1993. The 1993 figure includes FF 2,563 million in equity investments. The level of expenditure in 1994 reflects the Group's commitment to pursuing its expansion strategy while adapting to the volatile business environment. Disposals totalled FF 3,929 million in 1994 versus FF 5,060 in 1993.

Consolidated shareholders' equity including minority interests amounted to FF 55.7 billion at year-end 1994 compared to FF 55.1 billion at year-end 1993. The debt-to-equity ratio stood at 22% at December 31, 1994.

TOTAL SA RESULTS AND PROPOSED DIVIDEND

The TOTAL SA parent company earned net income of FF 2,680 million in 1994, versus FF 3,509 million in 1993.

After closing the parent company accounts, the Board of Directors agreed to ask shareholders at the General Meeting next May 31 to approve a dividend of FF 8.00 compared with FF 7.50 in 1993, plus the associated tax credit of FF 4.00. The Board will also ask shareholders to renew the option for the shareholder to choose between a dividend payment in cash or in shares.

The share will be traded ex-dividend as of June 6th, 1995, with respect to dividend for the year 1994.

The option with respect to the payment of the dividend in shares can be exercised from June 6th, through June 30th, 1995.

The payment of the dividend in cash will occur on July 21st, 1995.

TOTAL

TOUR TOTAL, 24 Cours Michelet, Cedex 47, 92069 Paris la Defense, France.

C&W in talks over stake in Indonesian telecoms

By Michael Lindemann in Jakarta

Cable & Wireless, the UK-based telecommunications group, may still be able to take a stake in Satelit Palapa Indonesia (Satelindo), the Indonesian satellite communications group.

Earlier this month it was announced that DeTeMobil, the mobile communications subsidiary of Deutsche Telekom, had won a 25 per cent share in Satelindo after a fierce battle which saw C&W's bid of $550m rejected at the last moment.

But Deutsche Telekom now says there is a "good chance" that it will sell half its stake to C&W.

DeTeMobil paid $566m and a further $20m in software, but its argument that its 950,000 customers in Germany represent the largest GSM (global system for mobile communications) mobile phone network in the world must have helped to persuade the Indonesians.

The UK company, while declining to comment on the possibility of a deal with Deutsche Telekom, confirmed this week that it was in discussions with the German group.

Satelindo, which was formed two years ago, is partly owned by Telkom, the state-controlled Indonesian operator.

Deutsche Telekom fought hard to win the Satelindo stake, but may yet be prepared to share its prize with a rival.

C&W has substantial telecoms interests in the Asia-Pacific region, centred on Hong Kong, and is an experienced operator in the region.

The UK group has extensive technical experience both of satellites and of mobile phones using the GSM standard which will be deployed in Indonesia. C&W also has broad international experience, which Deutsche Telekom has yet to acquire.

With a population of 190m, served by only 3m telephone lines, Indonesia is the largest market in the world so far opened to mobile communications based on GSM.

Satelindo three existing shareholders will dilute their holdings to accommodate Deutsche Telekom and C&W.

Bimagraha Telekomindo, run by President Suharto's family, will be left with 45 per cent of Satelindo, while Telkom and Indosat, two other state-owned telecommunications companies, will hold 22.5 per cent and 7.5 per cent respectively.

Indonesia's 13,000 islands make it very difficult to build a nationwide terrestrial network, so the government has put greater emphasis on GSM mobile communications, where underground cables are replaced by strategically placed base stations.

Since it began GSM operations in December, Satelindo has signed up about 15,000 customers.

The company plans to invest around DM1.8bn ($1.28bn) to build a network which, it hopes, will have 1.5m clients by 2004, according to Mr Lothar Hunsel, DeTeMobil chief executive.

Satelindo operates a so-called international gateway – one of the two international codes which can be used to dial out of Indonesia – and runs the Palapa satellite system. About 75 per cent of the company's turnover is expected to be in mobile communications, Mr Hunsel said.

Meanwhile Deutsche Telekom, which has had little international presence, intends to build on its Indonesian success, setting up offices in Singapore and Tokyo from which it hopes to make further inroads into the Asian telecoms market.

It has joined other competitors in bidding to operate one of five new fixed networks which were tendered by the Indonesian government last week.

A decision is expected in the next few months.

Deutsche Telekom also hopes to play a role in India – where there are the first signs of liberalisation in the telecommunications markets – and it is also putting out feelers in Vietnam and the Philippines.

Kaufhof sees store and travel units depressing annual results

By Andrew Fisher in Frankfurt

Kaufhof, the German retailing group which last week announced a change of chairman, said profits in 1994 would be much lower than the previous year because of poorer results in its department store and travel divisions.

Although it gave no reason for the departure of Mr Jens Odewald as chairman and his replacement by Mr Wolfgang Urban, the store and tourism activities were thought by analysts to be at the centre of the decision. While Mr Odewald had initiated a successful diversification into specialist retailing, the department store sector has been a lacklustre performer.

Last year, department store turnover was 8.6 per cent lower at DM6.3bn ($4.5bn). Tourism turnover was 2.5 per cent higher at DM3bn, but made a loss. The specialty outlets, including entertainment electronics, computers and shoes, turned in a higher profit after a 22 per cent rise in turnover to DM8.9bn, but this was not enough to offset the decline elsewhere.

Total turnover was 20 per cent higher at DM26.3bn. This excluded the Kuoni travel company in which Kaufhof sold its 50 per cent stake to Swiss business interests in February. The company has also just sold its ITS travel business to Rewe, the German food chain.

Kaufhof made a net profit of DM240m in 1993, up 7 per cent from the previous year.

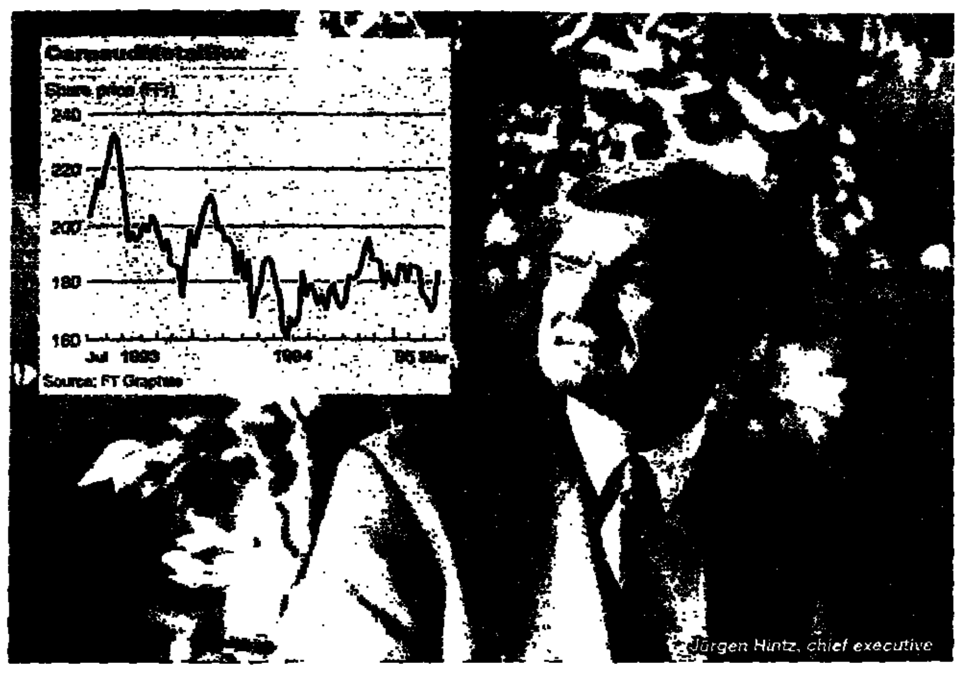
Last year, however, slack consumer spending affected its department stores. Analysts feel Mr Urban's promotion to chairman reflects his experience in that sector.

CarnaudMetalBox shapes up to change

Reform programme centres on productivity improvements, says **John Ridding**

Mr Jürgen Hintz seems surprisingly animated as he wields a metal can to make a point at the Paris headquarters of CarnaudMetalBox. His demeanour reflects the upheaval that he sees at the heart of the packaging industry and which he compares with the transformations faced by carmakers since the 1970s.

For Mr Hintz, CarnaudMetalBox chairman, the ability to respond to an increasingly competitive market is crucial. That response, through more efficient team-based manufacturing, reduced stocks and working capital, and more flexible production plants, will determine which of the European and US packaging concerns gains the edge in the sector.



Jürgen Hintz, chief executive

Along with the strategy of restructuring CMB's Eurosteel packaging businesses and expanding into Asia and the healthcare market, it will also help determine whether a rise in profits last year, due to be announced today, marks the start of an enduring rise in earnings and the end of a period of flat or declining results at the Anglo-French group.

Last year's profits, which industry analysts expect to rise to between FFr910m ($184.21m) and FFr970m from FFr835m in 1993, include benefits of the so-called "world class manufacturing" programme launched by Mr Hintz at the beginning of last year.

The CMB chief cites the example of a Spanish fish-can factory, where sales per employee rose by 36 per cent last year, while stocks and working capital each fell by 30 per cent.

The reforms centre on increasing productivity through more flexible working practices. After arriving at the head of CMB at the end of 1991, Mr Hintz says he did not discover the Anglo-French management ructions which many had blamed for the poor performance of the merged Carnaud and Metal Box groups. What he did find, was a need to upgrade manufacturing standards.

This, and the increasing demands from clients for a quicker response, higher quality and involvement in design, prompted change. As Mr Hintz puts it: "If the old system was like an army, with officers passing orders down, the new system is that you recruit, train and develop people on the factory floor who see their job as improving the process."

The CMB chief says the company is training 500 managers and engineers to implement and monitor productivity programmes at the company's 190 plants. Specific measures are decided at plant level, but centre on four areas: reduction of working capital, labour costs, spoiled products and non-quality costs.

This may sound like so much management-speak. But industry analysts see significant benefits. "It is an important motivational force," says a packaging industry analyst at one French merchant bank. "It appears to have improved efficiency," says Ms Michelle Evans at James Capel, pointing to a 10 per cent rise in productivity in the first half of last year.

Such reforms, however, are only part of the group's strategy. Mr Hintz has outlined two areas of expansion – in Asia, and in the health and beauty products sector – where he is seeking growth through acquisitions and investments.

The logic is straightforward. In Asia, CMB, like most other international packaging groups, is drawn by demographic and economic trends. "At the moment I am building five factories in Asia and pushing hard in China," says Mr Hintz.

In the beauty and health sector, the potential lies in the structure of the market as well as its growth rate. Although dominated by international producers, the packaging side of the business remains fragmented. "Over the next decade there will be significant rationalisation in this area," says Mr Hintz. "We should be well placed to capitalise."

But it is easier said than done. Players in the sector remain wary of being gobbled up by the industry giants. Last September, CMB was forced to pull out of a proposed merger with Wheaton, following concerns among some shareholders in the private US group about their level of control in the proposed joint venture.

The ride has also been bumpy with respect to a third objective laid down by Mr Hintz – restructuring and improved profitability at Eurosteel, the traditional core business spanning food cans to aerosols and speciality packaging.

In 1992, Mr Hintz set a target of doubling profits at Eurosteel within an unspecified period. This was to be achieved through eradicating losses in some businesses and expanding into markets in eastern Europe.

The problem, however, was that the group ran into the turbulence on the European currency markets. "The devaluations of the lira and the peseta, and the depreciation of sterling, had a very big impact," says Mr Hintz.

"Profits in those countries were immediately devalued, while the businesses in hard currency economies suffered from cheaper competition." Without the impact of the currency turmoil, Mr Hintz claims that CMB is "absolutely on track" in its objectives.

The past few months have served as a reminder that currency turmoil remains a constant concern. But Mr Hintz is sanguine about its impact on the company. "We are in a stronger position now than we were in 1992. We can better resist such disruption," he says.

In doing so, CMB should receive some help from the markets. After a sharp and protracted slump in France and Germany, Mr Hintz believes that signs of improvement, albeit tentative, are emerging. "We have seen some pick-up in France since the last quarter of 1994, but if you look at the whole year demand was still weak."

Results should be lifted by improved margins at Eurosteel and from the impact of higher value-added products. Increased volumes in its beverage cans business and lower tax charges should also help the bottom line. As for the markets in the current year, Mr Hintz is guarded. "It is not clear yet how 1995 will go. The industry is certainly not firing on all cylinders."

In spite of such caution, Mr Hintz rejects the idea that packaging is a defensive sector. One reason is the geographic opportunities in new markets.

Also important, he says, is the scope for innovation and technological change in established markets.

To prove his point he wields his metal can, which is opened by a ring pull but which is strong enough to withstand extremes of heat and pressure. "We worked with steel companies to develop the materials we needed and with clients to establish the design requirements. The scoring required needs to be measured in microns," he says.

The success of CMB's strategies will be measured in francs, at the bottom line. Most analysts believe improved efficiency, new products and stronger markets should enable continued growth, albeit at a steady, rather than spectacular rate.

Mr Hintz appears to agree. "The effect of what we are doing is progressive. The first few years you are training people and getting things moving, then it gathers speed," he says. "Like in the car industry, these fundamental changes take time. But there are very attractive returns to be made."

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Clark Equipment shares jump 50% on bid news

By Richard Waters in New York

Shares in Clark Equipment, the US machinery manufacturer, jumped more than 50 per cent yesterday morning on news that it had been the subject of a takeover approach.

Ingersoll-Rand, its bigger rival, disclosed an interest in the New Jersey-based maker of construction equipment late on Tuesday. However, its offer to pay $1.3bn in cash was rejected by Clark as "entirely inadequate".

A takeover would create a broad industrial equipment and machinery group with combined turnover of $5.5bn, nearly half of it outside the US. The combination would strengthen the two companies' activities in both US and international markets, according to Mr Leo McKernan, Ingersoll chairman and chief executive.

Clark makes small and medium-sized equipment, much of it for road construction. Its products would complement Ingersoll's broad range of equipment, from compressors to pumps and bearings.

Demand in the US for construction equipment is generally seen as past its cyclical peak following the recent round of US interest rate increases, which has depressed the shares of companies in the sector, even as their profits continue to rise. Clark's stock had slipped to $53 before the bid approach, from more than $70 five months ago.

Partly as a result, US equipment and machinery manufacturers have turned to markets overseas. Some $1.9bn of Ingersoll's $4.5bn sales last year were outside the US, while Clark generated half its $946m of revenues in international markets.

Ingersoll revealed it had made a takeover approach to Clark on March 15. The offer was rejected by Clark's board at a meeting on Monday, prompting Ingersoll to go public with its interest in the hope of putting pressure on the company to reconsider.

Ingersoll said it was prepared to pay $75 a share for Clark, and might increase its offer to $77 a share if Clark's directors made a strong case for the higher price. Yesterday morning, Clark's shares rose $28¼ to $81⅞ as the stock market anticipated a higher bid for the company.

Bear Stearns quits Frankfurt

By Maggie Urry in New York

Bear Stearns, the US investment bank, is to close its operation in Frankfurt at the end of June as part of a "strategic restructuring" of its international activities.

Operations of the Frankfurt office would be consolidated into the larger London office. This would "maximise client coverage and internal efficiencies," the firm said.

The main activity of the Frankfurt office was institutional equity sales, Bear Stearns said. The German operation was opened in January 1993 when the group obtained a German banking licence, and it later joined the Frankfurt stock exchange.

In its 1994 fact book, Bear Stearns listed the Frankfurt office's activities as including a German equity and warrant sales and trading activity and an international fixed income sales desk. It employed 18 people and covered Austria and the Netherlands as well as Germany. Yesterday Bear Stearns did not comment on whether jobs would be lost.

In common with other Wall Street firms, Bear Stearns has suffered from the fall in fixed income markets around the world.

● Salomon Brothers said yesterday it was expanding its investment banking staff in the Asia-Pacific region. The move was "part of our continued commitment to the region" according to Mr Trevor Rowe, head of Salomon's Asia-Pacific and Australasia investment banking activity.

Price of polluting drops in US

By Laurie Morse in Chicago

The cost of contributing to the production of acid rain in the US fell this week as the Chicago Board of Trade conducted the US Environmental Protection Agency's third annual auction of sulphur dioxide pollution allowances.

The average price fetched by the 176,400 allowances sold was $128 each, compared with $145 a year ago. Each allowance gives its holder the right to emit one ton of sulphur dioxide.

A North Carolina-based electricity utility, Duke Power and Light, paid $12m for 93,133 allowances, securing more than half of the offering.

Other utilities and coal companies were also buyers. A surprising number of bids was received from environmental groups, school children and environmental law societies. Although the environmentalists purchased only 52 allowances, most intend to retire them, preventing their use.

The EPA described the auction as a success. However, prices were so low that only 1,400 allowances offered by private utilities sold. The remaining permits sold were donated to the sale by the EPA and did not have reserve prices.

The auction is part of a long-term programme that aims to reduce sulphur dioxide pollution in the US by 10m tons by 2010. Electric utilities, which cause 70 per cent of US sulphur dioxide emissions, can use the allowances to gain more flexibility in their emission abatement plans.

Former SAS chief to head new Nordic tour group

By Christopher Brown-Humes in Stockholm

Mr Jan Carlzon, the former chief executive of Scandinavian Airlines System (SAS), yesterday agreed to head a new Nordic airline and tour group which includes SAS's main Swedish rival.

He will become chairman of Transpool, an umbrella group for Transwede, Sweden's second-largest airline after SAS, and Nordpool, the biggest Nordic tour operator.

Mr Carlzon resigned from SAS in 1993, shortly before the airline's plans to merge with three other European airlines – KLM Royal Dutch Airlines, Swissair and Austrian Air – in the so-called Alcazar project collapsed.

He stressed yesterday that the new company would not compete head-on with SAS, although Transwede's scheduled air traffic does operate alongside SAS on some routes.

"Our primary aim is to get an effective collaboration between Transwede's charter operations and the tour operator," said Mr Carlzon. SAS last year sold its own tour operation, SAS Leisure, to the British group Airtours.

Transpool will employ 2,500 people and have an annual turnover of SKr6.3bn ($860.9m).

Half of the company will be held by Nordic Capital, an investment group, after a loan is converted to shares next year. The remainder will be split equally between Volvo, the motor vehicle manufacturer, and Sweden's KF co-operative group. Volvo and KF at present jointly own 100 per cent of Transwede and Nordpool, but both have been keen to reduce their holdings to focus on core business.

Transwede has been hit by recession and fierce competition and last year suffered a SKr300m deficit, mainly due to restructuring and redundancy costs. The airline will focus mainly on charter business but will continue to operate its profitable scheduled air routes, which include a link between Stockholm and London Gatwick.

US telecoms group to invest $4.4bn

By Tony Jackson in New York

The US telecoms consortium formed last October by Sprint, the long distance telephone company, and three cable-TV operators, is to invest $4.4bn in cash in the venture over the next three years.

Of that, $2.1bn has already been committed for mobile phone licences in the recently completed auction by the US government, in which the Sprint consortium was the heaviest spender.

The four companies – Sprint, Tele-Communications Inc, Comcast and Cox – said they had signed a definitive agreement to provide wired local telephony, in addition to their wireless venture. This will provide broadband digital telephony through the cable companies' existing structure.

The companies said the combined wired and wireless venture, which will be located in Kansas City, will be headed by Mr Ronald LeMay, the present chief executive of Sprint's long distance operation. He will be replaced by Mr Gary Forsee, who was interim head of the new venture and took charge of its bidding in the auction.

The partners said $500m of the proposed $4.4bn equity investment had already been paid to the Federal Communications Commission as down payment for mobile licences. The venture won 29 licences including New York, and claims a coverage of 182m people.

As previously reported, the venture will also include Teleport Communications, a joint venture between the three cable companies and a fourth, Continental Cablevision. Teleport runs specialised phone services for businesses in 37 US markets. Its inclusion in the venture was still subject to Continental's consent, the partners said.

The venture, which aims to add multimedia services to basic telephony, is entering an increasingly crowded field. AT&T, the largest US long-distance phone company, last year bought the largest US mobile phone company, McCaw, for $11.5bn.

Other big media companies such as Time Warner also aim to combine cable with fixed and mobile telephony.

Petrofina profits advance 44%

By Emma Tucker in Brussels

Petrofina, the Belgian petrochemicals company, yesterday announced its final 1994 results, showing net profits of BFr10.2bn ($354m) and a special dividend payment.

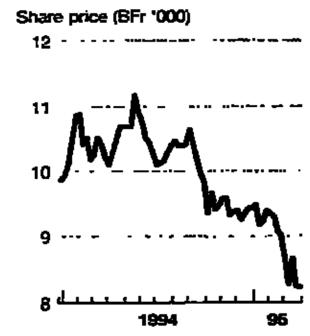
The final result was marginally below the preliminary BFr10.3bn announced last month, but 44 per cent up on the previous year.

Turnover rose to BFr580.7bn in 1994, compared with BFr559bn in 1993, a 3.9 per cent increase. Consolidated cash flow for the company reached BFr39.4bn last year, up 15.8 per cent on 1993.

The Belgian blue-chip also announced a special dividend supplement to commemorate the company's 75th anniversary.

Petrofina

Share price (BFr '000)



Source: Datastream

It said it would pay a "normal" pre-tax dividend of BFr280 a share, topped up with an extra BFr40 to mark the occasion, and to "stress the improvement of operational performances".

The improved results last year stemmed mainly from the group's petrochemicals interests and the reduction in the company's costs, said Petrofina, adding that its total financial debt had been reduced to BFr81.8bn.

Last month Petrofina said it was buying a 50 per cent interest in Montefina, Europe's largest polypropylene plant, held by the Italian group, Montedison.

The deal gave Petrofina 100 per cent control of the Belgium-based plant and the right to its production capacity.

The deal followed a much publicised ruling by the European Commission last year which said that Montedison had to divest its share in Montefina, set up as a joint venture with Petrofina.

Parmalat rises 26% to L101bn

By Andrew Hill in Milan

Parmalat, the Italian dairy products and food group, managed another year of strong growth in earnings in 1994, pushing up group profit by 26 per cent to more than L100bn ($58.7m) for the first time, in spite of difficult economic conditions.

The company yesterday reported net profits of L101bn for the calendar year 1994, against L80bn in 1993.

In 1990, Parmalat's annual net profit was L6bn, but international expansion and product diversification have helped increase its income, making it one of Italy's largest quoted companies.

In 1994, sales rose by 27 per cent to L3,608bn, against L2,845bn the previous year, and operating profit rose to L310bn from L251bn.

Strong growth in foreign markets, particularly in South America and Europe, helped increase sales. However, demand in Italy, which accounts for 55 per cent of the company's turnover, remained slack.

Parmalat has about one-third of the Italian market for long-life milk and is vying for leadership of the yoghurt market.

The group spent L125bn on acquisitions and increased stakes during 1994, and L118bn on technical investments, pushing up group net debt to L959bn by the end of the year. This compares with L942bn at the half-year stage and L829bn at the end of 1993.

Net financial charges reached L101bn, although as a proportion of turnover interest payments were slightly lower than in 1993.

The company said it would approve the final results at a meeting of the board on April 27.

Placer Dome to pay Gold Fields $30m in settlement

By Bernard Simon in Toronto

Placer Dome, the Vancouver-based gold producer, will pay $30m to Gold Fields Mining, an affiliate of Hanson, the UK conglomerate, as part of a deal to settle a protracted dispute over the Pipeline gold deposit in Nevada.

In return, Gold Fields has agreed to drop all legal action against Placer and to renounce its claims to the Pipeline deposit.

The settlement removes an important obstacle to plans by Placer and Kennecott Corp, the mining group controlled by the UK's RTZ, to develop a $150m mine at Pipeline with an estimated output of 200,000 ounces a year. Placer has a 60 per cent stake in the project and Kennecott 40 per cent.

The dispute arose from a 1991 transaction in which Placer bought an option on Gold Fields' claims, covering about 40 per cent of the Pipeline orebody. Gold Fields alleged that Placer concealed encouraging exploration results and trespassed on its property to gain geological information. It is estimated the Gold Fields orebody contains 1.7m ounces of gold.

Gold Fields had sought $158m in compensation, plus punitive damages and damages for "racketeering", and the right to nullify the 1991 deal.

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Inscribed in the Registry of Banks and Parent Company of the IMI Group
Inscribed in the Registry of Banking Groups
Tax Code no. 00448420588; VAT no. 00896201001

The Ordinary and Extraordinary Parts of the Annual General Meeting of the Shareholders of Istituto Mobiliare Italiano S.p.A. is convened, for the first call, for Saturday, 29 April 1995, at the hour of 10:00 am (and for the second call for Wednesday, 3 May 1995, at the hour of 10:00 am) in Rome at the Company's Headquarters, Viale dell'Arte, 25 (EUR), to discuss and deliberate upon the following:

Agenda

ORDINARY PART

1. Approval of the Financial Statements for the year ended December 31, 1994, the reports of the Board of Directors and the Board of Statutory Auditors, the distribution of Net Profit and resolutions related to the above: Consolidated Financial Statements of the IMI Group at December 31, 1994.
2. Determination of the number of members of the Board of Directors, their nomination and determination of their relative remuneration.
3. Renewal of the authorisation to purchase and sell the Company's shares.

EXTRAORDINARY PART

1. Modification of Article 10 of the Company's Statutes to conform to the current rules concerning the exercise of a shareholder's right to vote by correspondence.
2. Modification of Articles 14, 15 and 28 of the Company's Statutes (insertion of voting by list for the nomination of the Board of Directors and the Board of Statutory Auditors), Article 25 of the Company's Statutes (legal representation) as well as Article 4 of the Company's Statutes (change of reference legislation).
3. Approval of the proposed merger by incorporation into Istituto Mobiliare Italiano S.p.A. of two subsidiaries, SIGE S.p.A. and SIGE Investimenti S.p.A., and the delegation of any powers necessary to carry out such transactions.

Shareholders desirous of participating in the Annual General Meeting must deposit their Ordinary Shares at least five (5) days before the date of the Meeting at the headquarters of IMI S.p.A. in Rome, Viale dell'Arte 25, or with one of the following designated institutions:
Banca Commerciale Italiana, Credito Italiano, Banca Nazionale del Lavoro, Cariplo, Istituto Bancario S. Paolo di Torino, Monte dei Paschi di Siena, Banco di Napoli, Banca di Roma, Banca Cassa di Risparmio di Torino, Credito Romagnolo, Banca Fideuram, Monte Titoli (for the shares administered by it).

The right to vote may be exercised also by correspondence according to the "Regulation concerning the conditions and modality to exercise the right to vote by correspondence", issued jointly, with immediate effect, on December 30, 1994 by the Bank of Italy, CONSOB, and ISVAP, and published in the *Gazzetta Ufficiale* (Official Gazette) on January 5, 1995, no. 4 (general series).

The proxy ballots (to vote by correspondence), attached to which are the proposals formulated by the Board of Directors, as well as the documentation and reports relative to Points 2 and 3 of the Ordinary Part and to Points 1, 2 and 3 of the Extraordinary Part will be on deposit from the date of publication of this notice until the date of the Annual General Meeting at the Company's Headquarters and the main offices of the designated institutions. The documentation and report relative to Point 1 of the Ordinary Part will be available at the Company's Headquarters and the main offices of the above-mentioned designated institutions starting from April 14 until the date of the Annual General Meeting.

The proxy ballots together with the admission tickets to the Annual General Meeting must be presented or delivered to the Secretariat for Statutory Affairs of IMI S.p.A. - Viale dell'Arte, 25 00144 Rome, Italy by April 26, 1995.

Proxy ballots received by the Company after the above deadline or not accompanied by an admission ticket will not be taken into consideration for the constitution of a quorum nor in the calculations relative to voting at the Annual General Meeting.

Unsigned proxy ballots received by the Company will not be taken into consideration in the calculations relative to voting at the Annual General Meeting.

Board of Directors

In order to facilitate the preliminary operations (identification and admission of shareholders), Shareholders are kindly requested to present themselves before the time that the Annual General Meeting is scheduled to begin. For further information please call the Office of Investor Relations, (39 6) 5959.3789

CHESHIRE BUILDING SOCIETY

(Incorporated in England under the Building Societies Act 1986)

£10,000,000

Floating Rate Permanent Interest Bearing Shares (PIBS)

For the Interest Period 28th March, 1995 to 28th September, 1995 the PIBS will carry an Interest Rate of 9.50156% per annum. The Interest Amount per £1,000 will be £47.90 payable on the 28th September, 1995.

Listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

Bankers Trust Company, London Agent Bank

LOTHBURY

Lothbury Funding No.1 PLC

£344,000,000

Class A1 Notes

Mortgage Backed Floating Rate Notes due 2031

[illegible] 10th April 1995. The principal amount outstanding on 11th April 1995 will therefore be £74,875 per Note.

NatWest Markets

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION of 15th March 1995 NOTICE is now given that the following distribution will become payable on or after 21st March 1995 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

Gross Distribution Per Unit	1.00 Cents
Less 15% US Witholding Tax	0.1500 Cents
	0.8500 Cents Per Unit
Converted at 1.5935	0.5334 Pence Per Unit

Barclays Bank PLC, BGSS Depositary Services, 8 Angel Court, Throgmorton Street, London EC2R 7HT

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on
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Fax: +44 0171 873 3064

SCHOONER CAPITAL CORPORATION

is pleased to announce the formation of

SCHOONER CAPITAL INTERNATIONAL, L.P.

A merchant bank specializing in Eastern Europe and the CIS

of which

Vincent J. Ryan

Burton D. Sheppard

and

Robert K. Landis

are principals

and

SCHOONER CAPITAL CORPORATION

is a limited partner

Boston • Warsaw • Bishkek

C.P. POKPHAND CO. LTD.

(Incorporated in Bermuda with limited liability)

US$150,000,000
Floating Rate Notes
due March 1999

In accordance with the provisions of the Floating Rate Notes, notice is hereby given that for the period from 27/3/95 to 27/9/95 the Notes will carry an Interest Rate of 7.3375% per annum calculated on a principal amount of:

US$18,751.39 per Note of US$500,000

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Standard Chartered Asia Limited
as Reference Agent

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COMMERZBANK

NOTICE IS HEREBY GIVEN that this year's Annual General Meeting of Commerzbank AG will be held in Hamburg at the Congress Centrum Hamburg (CCH), Am Dammtor, 20355 Hamburg on May 17, 1995, at 10.30 a.m.

AGENDA (abridged version)

1. To consider the Bank's established Annual Accounts, the Report of its Board of Managing Directors on the Bank's Performance, and the Report of its Supervisory Board, together with the Consolidated Annual Accounts and the Group Report, for the year ended December 31, 1994.
2. To resolve on the appropriation of the distributable profit.
3. To approve the actions of the Board of Managing Directors during the financial year 1994.
4. To approve the actions of the Supervisory Board during the financial year 1994.
5. To authorise the Board of Managing Directors to increase the Bank's share capital (authorized capital increase) and to amend its statutes accordingly.
6. To authorise the Bank to purchase its own shares.
7. To approve the affiliation agreement that the parent company, Commerzbank Aktiengesellschaft, has concluded with a wholly-owned subsidiary.
8. To appoint the Auditors for the financial year 1995.

Shareholders in the United Kingdom who wish to attend and vote at the Annual General Meeting should inform either the London Branch of Commerzbank AG at 23 Austin Friars, London EC2N 2EN, or S.G.Warburg & Co. Ltd., 2 Finsbury Avenue, London EC2M 2PA, who will make the necessary arrangements. Such notice should be given by May 10, 1995.

Copies of the German version of Commerzbank's 1994 Annual Report will be available shortly from both Commerzbank AG and S.G.Warburg & Co. Ltd. The English version is currently being prepared.

COMMERZBANK AKTIENGESELLSCHAFT

LLOYDS INTERNATIONAL PORTFOLIO SICAV
1,rue Schiller
L-2519 Luxembourg
R.C. Luxembourg No.B7.635

NOTICE

is hereby given to the Shareholders that the Annual General Meeting of Shareholders of LLOYDS INTERNATIONAL PORTFOLIO SICAV will be held at the registered office, in Luxembourg, 1 rue Schiller, on 18 April 1995 at 11.30 a.m. with the following agenda:

1. Submission of the reports of the Board of Directors and of the Authorised Independent Auditor;
2. Approval of the annual accounts as at 31 October 1994 and allocation of the net results;
3. Discharge to the Authorised Independent Auditor for the financial period ended 31 October 1994;
4. Election of the Authorised Independent Auditor for the new financial year;
5. Acknowledgement of the resignations of Mr A B Howells and Mr R C Seamer;
6. Election of Mr R S Moore as a new Director following the resignation of Mr A B Howells;
7. Re-election of Directors;
8. To transact such other business as may properly come before the Meeting.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be taken at the majority of the votes expressed by the Shareholders present or represented at the Meeting.

By order of the Board of Directors

INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Samsung formally enters Korean car production sector

Samsung, the South Korean conglomerate, yesterday formally launched its entry into the crowded Korean car industry by establishing Samsung Motors, writes **John Burton in Seoul.**

Samsung, which will be Korea's fifth passenger car manufacturer, plans to spend Won4,300bn ($5.6bn) on the project. However, analysts have warned that Samsung is taking a gamble in manufacturing cars because of excess production capacity in the automotive sector globally and in Korea.

Samsung, which has main businesses in electronics, shipbuilding, construction and financial services, has justified the venture as necessary to develop further its heavy industrial activities.

The initial capital investment of $120m in Samsung Motors, which will have total authorised equity of $1.2bn, will be provided by three other Samsung subsidiaries – Samsung Electro-Mechanics, Samsung Display Devices and Joong-ang Development – which will become the main shareholders.

Of the car project's total cost, 30 per cent will be financed by internal group funds, 23 per cent by rights issues, 15 per cent by overseas borrowings, and 32 per cent by corporate bonds.

Samsung Motors will begin constructing a manufacturing plant in the south-eastern port of Pusan next month and plans to achieve a production capacity of 250,000 cars by 1998 and 500,000 vehicles by 2000.

Although Samsung will initially use imported technology from Nissan Motors of Japan for three models of medium-size saloons, it hopes to become technologically independent within a decade by establishing research centres in the US, Europe and Japan. It plans to establish manufacturing plants overseas by 2010.

Groupe Bull chief joins France Télécom board

Mr Jean-Marie Descarpentries, chairman of Groupe Bull, the state-owned French computer group, has been appointed to the board of France Télécom, according to a decree published yesterday in the government's official journal, writes **John Ridding in Paris.** Mr Descarpentries *(pictured)* will take the place of Mr Bernard Pache, whom he succeeded as chairman of Bull in 1993. Mr Descarpentries has since been engaged in a restructuring and cost-cutting plan at Groupe Bull, with the aim of taking the company into the private sector.

After initial doubts, France Télécom is set to remain one of Bull's principal shareholders. The state telecoms operator holds 17 per cent of Bull's shares and is expected to retain this stake as the government reduces its 76 per cent holding.

The French government is considering bids from companies seeking to take a stake in Bull, or increase their existing investment, as part of the privatisation process. NEC of Japan is seeking to raise its stake from 3.7 per cent to an estimated 17 per cent. Motorola of the US has submitted a bid for a smaller stake.

However, the complexity of the privatisation has raised the prospect that the sell-off will be achieved in a two-stage process, with further investors taking stakes later this year.

Malbak improves 25% in first six months

Malbak, the South African industrial conglomerate, posted a 25 per cent increase in attributable earnings to R224m ($62.2m) for the six months to end February, up from R179m a year ago, writes **Mark Suzman in Johannesburg.** Greater efficiencies and higher production volumes throughout the group meant that operating income rose 30 per cent to R498m from R384m while turnover increased 28 per cent to R7.43bn, up from R5.8bn previously.

The dividend was increased by 18 per cent to 16.5 cents from 14 cents as dividend cover increased to 4.4 from 4.2.

Mr Grant Thomas, executive chairman, said the improved results were due to the turnround in several consumer goods sectors that had been underperforming.

Malbak's debt/equity ratio, excluding cash balances of R542m, stands at 23.5 per cent. The group generated R641m in cash, up 27 per cent from R506m last year.

Qantas and Brierley end Air NZ deal early

Qantas, the government-owned Australian airline, has terminated early an agreement to top up the dividend which New Zealand's Brierley Investments earns on its stake in Air New Zealand, write **Terry Hall in Wellington and Nikki Tait in Sydney.**

The move renewed speculation that Qantas is clearing the way for a sale of its stake in Air NZ.

Qantas, which is due to be privatised later this year, owns 19.4 per cent of Air NZ, which is carried in its books at A$210.4m (US$152.4m), against a current market value of NZ$465m (US$302m). BIL owns about 42 per cent.

Mr Paul Collins, BIL's chief executive, and Qantas confirmed that the two companies had reached a settlement over the dividend top-up arrangements, and that the agreement had been ended with effect from February.

The arrangement dates back to the privatisation of Air NZ in 1988, and calculation of the top-up sums has been a matter of dispute between the two companies recently.

The terms of the settlement were not disclosed.

Dairy Farm lifted by property sale in HK

By Simon Holberton

Dairy Farm International, the food retailing member of the Jardine Matheson group, yesterday announced a 13.2 per cent rise in net profit to US$213.8m in the year to the end of December, from US$188.8m in 1993.

Directors said the rise was due to a sale of property in Hong Kong and that trading profit was slightly down on 1993.

Mr Simon Keswick, chairman, said Dairy Farm's results were affected by "the challenges of a highly competitive industry and the cost of expanding into new markets".

He said trading this year was likely to be lower than last year but "the investments we are making should enhance returns in future years".

The company's profit was struck on a 12 per cent rise in group turnover to US$5.58bn from US$4.97bn.

Directors declared a dividend of 4.35 cents, making 6 cents for the year – 6 per cent up on a year earlier.

Earnings a share were 11 per cent higher at 12.52 cents.

Mr Keswick said the Wellcome supermarket chain in Hong Kong produced satisfactory results given the pressures of rental and wage inflation in the colony. In Taiwan, Wellcome showed good growth.

He said that in Australia, Franklins made "substantial progress" in repositioning its business to increase market share while facing intense competition.

Woolworths in New Zealand came under strong competitive pressure although it retained market share.

Mr Keswick said Nestlé Dairy Farm, the group's joint venture in China, had made good progress.

Two manufacturing units were under construction.

Dairy Farm's shares will cease being traded in Hong Kong at the end of this month. The group hopes investors will trade its shares in Singapore, in common with other members of the Jardine Matheson group.

New World disappoints at midterm

By Simon Holberton in Hong Kong

New World Development, the property-based diversified Hong Kong conglomerate, yesterday disappointed the Hong Kong stock market when it announced a 15.47 per cent decline in first-half net profit to HK$1.6bn (US$207.8m) in the six months to the end of December.

This compared with HK$1.9bn in the same period of 1993.

The result was broadly in line with expectations, but investors nevertheless trimmed the company's share price to leave it 50 cents lower at HK$22.45.

Directors declared an interim dividend of 28 cents a share – the same as last time. Earnings per share were 15.65 per cent lower at 97 cents.

New World, in line with most other Hong Kong property developers, cited the downturn in the colony's property market last year as the main cause of the reduction in earnings. In January and February this year the company experienced only "lukewarm" interest in two residential developments it had on the market, it said.

However, directors said they had discerned a pick-up in the market recently, which they attributed to expectations of reduced interest rate pressure from the US.

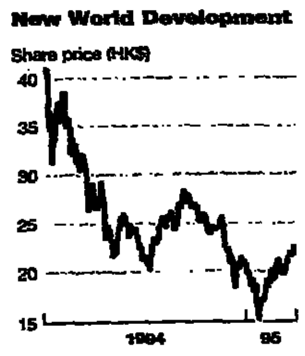
The group said it expected growth would be sluggish in the first half but would gather pace in the second half, buoyed by favourable prospects in overseas markets and the impetus for growth in the local economy created by the development of infrastructure, especially projects at the airport and the airport railway.

The company's two other main business lines – rental properties and hotels – performed well. Rental income was up 18.3 per cent to HK$483.1m, while hotel profits rose 13 per cent to HK$453.4m.

This year New World plans a big push into domestic telecommunications. It and its partners will be investing HK$1bn to offer local and international telephone, paging, data and multimedia communication services.

The company also has a large presence in China in infrastructure and property ventures. It said its businesses in China had felt the impact of the credit squeeze.

New World Development



Source: FT Graphite

Zambia appoints chairman at Meridien

By Joel Kibazo and Nicholas Denton

Zambia's central bank has appointed Mr John Cruickshank, a former senior partner at KPMG Peat Marwick in Zambia, to be the interim chairman of Meridien BIAO Bank Zambia (MBBZ) the local operation of Meridien BIAO, an independently-owned bank with branches in 20 African countries.

The appointment came after the Zambian central bank on Monday took over MBBZ's management and operations from the bank group's troubled network, which is also headquartered in Zambia.

Reuters quoted Mr Godfrey Mbulo, general manager at the Zambian central bank, as saying that MBBZ had been experiencing liquidity problems this year and was receiving support from local banks in order to meet its daily requirements.

Mr Cruickshank was named with the agreement of Mr Andrew Sardanis, the Cypriot-Zambian entrepreneur who controls the Meridien BIAO group. Mr Kaitano Chungu, a banker and private consultant, was named managing director and Mr John Mpundu, formerly with Zambia National Commercial Bank takes over as the new financial controller.

The Zambian authorities said they envisaged Mr Cruickshank would be chairman on an interim basis, for about six months. MBBZ's temporary management said Mr Sardanis wished to regain control of the operation and was in contact with potential "co-investors" to contribute funds.

Mr Cruickshank said the proximate cause of Meridien BIAO's difficulties in Zambia was a run on deposits which forced the central bank to step in to provide liquidity. The central bank said it had poured in K47.8bn ($60.3m) since the begining of the year.

Mr Cruickshank said the subject of possible loan losses and provisions for them would come up in discussions he planned with Meridien BIAO's auditors, Coopers & Lybrand. He said he would investigate whether Meridien BIAO had made advances to other companies in Mr Sardanis's ITM International group.

Monday's move by the central bank separated MBBZ's operations from the rest of the Meridien BIAO group. The central bank said it had taken the measure to protect the interests of customers and the country's financial market. The move in Zambia is a blow for Meridien BIAO's ambitious Pan African network. It was set up in 1983 and is capitalised at about $100m.

First National Bank in South Africa yesterday confirmed it had been approached by Swaziland's central bank about the possibility of acquiring the Meridien BIAO's Swaziland operations. Mr Viv Bartlett, chief financial officer, said: "We are currently evaluating the proposal and have put forward our proposals, but a final decision has not yet been taken in this regard." Several other South African groups were said to have also received an approach.

This month, the Kenya central bank shut down Meridien BIAO in Kenya, citing large foreign exchange exposure positions, and appointed a manager to administer the bank in Nairobi. Several African central banks were said to be watching the situation.

However, Mr Collin Goodwin, the London-based president of Meridien BIAO remained confident about the group's future and said: "We have suffered a liquidity difficulty," but he added: "I see a very positive future for the group. What we have is a network of well-run well-operated banks."

CCF reports further net earnings growth : + 11.6 %

For the eleventh consecutive year, CCF reported a satisfactory improvement in earnings over the previous year. This was accompanied by a substantial strengthening in shareholder's equity.

The CCF Board of Directors, chaired by Charles de CROISSET, met on March 22, 1995 to review the group's results for 1994 :

MF	1994	1993	% variation
Net Banking Income	9,022	9,204	- 2
Gross Operating Profit	2,611	3,210	- 18.7
Net Earnings	1,203.2	1,078	+ 11.6

- Following the strong rise in revenues recorded in 1993, net banking income for 1994 totaled FRF 9,022 million, down slightly from the previous year (- 2 %, or - 5.2 % on a restated basis). This had a negative impact on gross operating profit. A substantial decline in non performing loans made possible to bring loan loss reserves down to 880 MF, 42.8 % under the previous year.
- Net earnings per share, based on the average number of shares outstanding during the year, came to FRF 18.14 against FRF 18.03 for 1993.
- CCF also significantly strengthened shareholder's equity which exceeded FRF 13,7 billion. The Group's overall capital adequacy ratio thus rose to 13 %, with a tier one capital ratio of 9 % (minimum norms being 8 and 4 %).
- The Board will also propose that the Annual Meeting approve the offer to shareholders to reinvest their dividend in CCF shares. Dividend payment date will be May 19, 1995.

CCF

For further information contact Investor Relation : (33.1) 40 70 22 57

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.03.95: Pool purchase price £/MWh	Final Prices for Trading on 02.03.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.79	8.12	8.12
0100	22.50	8.79	8.79
0130	8.79	8.82	8.82
0200	8.03	8.82	8.82
0230	12.11	8.79	8.79
0300	13.09	8.77	8.77
0330	13.00	8.77	8.77
0400	13.00	8.16	8.16
0430	13.00	8.12	8.12
0500	15.79	8.11	8.11
0530	9.05	8.18	8.18
0600	9.05	8.15	8.15
0630	9.06	8.12	8.12
0700	10.00	8.82	8.82
0730	15.03	8.08	8.59
0800	17.36	10.22	11.78
0830	18.75	10.77	12.40
0900	18.11	11.79	13.59
0930	17.14	17.08	19.00
1000	17.24	17.39	18.33
1030	17.56	17.28	19.25
1100	13.88	12.51	14.51
1130	18.49	18.99	19.09
1200	14.58	18.06	20.31
1230	18.46	21.13	23.29
1300	17.84	17.37	19.38
1330	12.23	11.81	13.80
1400	11.75	11.23	12.95
1430	11.64	10.61	12.29
1500	9.49	8.52	10.19
1530	9.50	9.43	9.43
1600	9.75	9.56	9.59
1630	12.33	11.12	12.95
1700	12.54	11.97	13.89
1730	12.23	15.10	17.07
1800	11.73	18.95	22.87
1830	11.36	33.05	38.87
1900	9.09	37.95	44.03
1930	10.68	31.81	38.38
2000	11.34	20.57	23.30
2030	11.37	18.08	17.91
2100	11.34	11.29	12.91
2130	10.12	9.08	9.05
2200	9.01	8.83	8.83
2230	9.00	8.79	8.79
2300	8.80	8.17	8.17
2330	8.79	8.17	8.17
2400	8.78	8.16	8.16

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.85/MWh becomes 1.585p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5.15pm Monday to Friday.
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XEROX CANADA FINANCE INC
(Incorporated with limited liability in Canada)
(the "Issuer")

Notice of meeting of the holders of the outstanding Can.$75,000,000 9⅞ per cent. Debentures due 1997 of the Issuer (the "Debentureholders" and the "Debentures" respectively)

NOTICE IS HEREBY GIVEN that a meeting of the Debentureholders convened by the Issuer will be held on Tuesday, 25 April 1995 at the offices of ScotiaMcLeod Inc., 40 King Street West, 63rd Floor, Toronto, Ontario, Canada at 10.00 a.m. (local time) for the purpose of considering and, if thought fit, passing the resolution set out below, which will be proposed by the Issuer as an Extraordinary Resolution.

Extraordinary Resolution

THAT this meeting of the holders of the outstanding Can.$75,000,000 9⅞ per cent. Debentures due 1997 of Xerox Canada Finance Inc. (the "Debentureholders", the "Debentures" and the "Issuer" respectively), subject as provided below:

(1) sanctions the proposed amalgamation (the "Proposed Amalgamation") of Xerox Canada Inc. ("XCI") with the Issuer under the name Xerox Canada Inc. to be effected in accordance with the provisions of the Ontario Business Corporations Act;

(2) sanctions the following modifications of and variations to condition 9 (Events of Default and Enforcement of Rights) of the terms and conditions of the Debentures: the substitution for the words "the Company, the Guarantor or Xerox Canada" on each and every occasion where they appear in paragraphs (c), (d) and (e) of the words "the Company, the Guarantor, Xerox Canada, Xerox Canada Ltd. or Xerox Canada Manufacturing & Research Inc.";

(3) sanctions the modifications of and variations to the Fiscal Agency Agreement dated 7 April 1987 (the "Fiscal Agency Agreement") between the Issuer, Xerox Canada Holdings Inc. ("XCHI") and Bank of Montreal (London) as fiscal agent (the "Fiscal Agent") substantially in the terms of those provided for in the draft supplemental agreement produced to this meeting and for the purposes of identification signed by the chairman hereof; and

(4) sanctions every abrogation, modification or arrangement in respect of the rights of the Debentureholders and the holders for the time being of the coupons appertaining thereto against the Issuer and XCI whether such rights arise under the terms and conditions of the Debentures, the Fiscal Agency Agreement, the Deed Poll dated 7 April 1987 (the "Deed Poll") entered into by XCI, the Deed Poll dated 7 April 1987 (the "XCHI Deed Poll") entered into by XCHI or otherwise as may be necessary or expedient to carry out or give effect to paragraphs (1), (2) and (3) of this resolution or to give to the Debentures and the Debentureholders the benefit of the XCL Deed Poll and the XCMRI Deed Poll referred to below and authorises any breach of the terms and conditions of the Debentures, the Fiscal Agency Agreement, the Deed Poll and the XCHI Deed Poll which may be caused thereby, including for the avoidance of doubt but without limitation and without prejudice to whether such sanction or authority is necessary in relation to or in respect of any amendment, modification or termination of the Financial Support Arrangements (as defined in condition 3 of the Debentures) and any breach of the terms and conditions of the Debentures, the Fiscal Agency Agreement, the Deed Poll and the XCHI Deed Poll which may be caused by the Proposed Amalgamation,

PROVIDED that each of such sanctions and authority shall be conditional upon and shall take effect from execution and delivery to or to the order of the Fiscal Agent of (i) a deed poll (the "XCL Deed Poll") to be entered into by Xerox Canada Ltd. ("XCL") and (ii) a deed poll (the "XCMRI Deed Poll") to be entered into by Xerox Canada Manufacturing & Research Inc. ("XCMRI"), such deeds poll to become effective immediately upon the Proposed Amalgamation taking place, constituting, *inter alia*, a guarantee by XCL and XCMRI respectively of all of the Issuer's obligations in respect of the Debentures, and being substantially in the form of the drafts produced to this meeting and for the purposes of identification signed by the chairman hereof.

By order of the Board, Xerox Canada Finance Inc.
Dated: 30 March 1995 Bank of Montreal (London), Fiscal Agent.

Further Details

Details of the background to the above Extraordinary Resolution are contained in an Information Circular dated on or about 29 March 1995, copies of which are available for collection at the specified offices of the Fiscal Agent and the Paying Agents set out below. Copies of the Fiscal Agency Agreement and of certain other documents are also available for inspection by Debentureholders at such specified offices.

Copies of the Information Circular are also available for inspection or collection at the Issuer's registered office set out below or upon request from the Issuer's Secretary (tel no: Canada (416) 733 6287), to whom any queries relating to the above Extraordinary Resolution should be addressed.

Voting

(1) A Debentureholder wishing to attend and vote at the meeting must produce at such meeting either the Debenture(s), or a valid voting certificate or valid voting certificates issued by the Fiscal Agent or a Paying Agent (each an "Agent") relative to the Debenture(s), in respect of which he wishes to vote.

(2) A holder of one or more Debentures not wishing to attend and vote at the meeting in person may either deliver his Debenture(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction through Euroclear and Cedel or on a block voting instruction issued by an Agent instructing an Agent to appoint a proxy or proxies to attend and vote at such meeting (or, if applicable, any adjourned such meeting) in accordance with his instructions.

(3) Debentures may be deposited with any Agent or to its order at a bank or other depository (which shall include being blocked in a securities account at Euroclear or Cedel) until the time being 48 hours before the time fixed for the meeting (or, if applicable, any adjourned such meeting), but not thereafter, for the purpose of obtaining voting certificates or appointing proxies or giving block voting instructions in respect of the meeting. Any Debenture(s) so deposited or held will be released at the conclusion of the meeting (or, if applicable, any adjourned such meeting) or upon surrender of the voting certificate(s) or, not less than 72 hours before the time for which the meeting (or, if applicable, any adjourned such meeting) is convened, the voting instruction receipt(s) issued in respect thereof to the Agent who issued the same and the giving of notice by such Agent to the Issuer of such surrender.

(4) Voting certificates and block voting instructions shall be valid for so long as the relevant Debentures have not been released as described above. All instructions given to an Agent in relation to a block voting instruction shall, during the period of 48 hours before the time for which the meeting (or, if applicable, any adjourned such meeting) is convened, be neither revocable nor subject to amendment.

REGISTERED OFFICE OF XEROX CANADA FINANCE INC.
5650 Yonge Street
North York
Ontario M2M 4G7

FISCAL AGENT
Bank of Montreal
11 Walbrook, 2nd Floor
London EC4N 8ED

PAYING AGENTS
Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, L-2955 Luxembourg
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels
Bank of Montreal, 1, First Canadian Place, Toronto, Ontario M5X 1A1, Canada

XEROX CANADA FINANCE INC
(Incorporated with limited liability in Canada)
(the "Issuer")

Notice of meeting of the holders of the outstanding Can.$80,000,000 10 per cent. Debentures due 1996 of the Issuer (the "Debentureholders" and the "Debentures" respectively)

NOTICE IS HEREBY GIVEN that a meeting of the Debentureholders convened by the Issuer will be held on Tuesday, 25 April 1995 at the offices of ScotiaMcLeod Inc., 40 King Street West, 63rd Floor, Toronto, Ontario, Canada at 10.00 a.m. (local time) for the purpose of considering and, if thought fit, passing the resolution set out below, which will be proposed by the Issuer as an Extraordinary Resolution.

Extraordinary Resolution

THAT this meeting of the holders of the outstanding Can.$80,000,000 10 per cent. Debentures due 1996 of Xerox Canada Finance Inc. (the "Debentureholders", the "Debentures" and the "Issuer" respectively), subject as provided below:

(1) sanctions the proposed amalgamation (the "Proposed Amalgamation") of Xerox Canada Inc. ("XCI") with the Issuer under the name Xerox Canada Inc. to be effected in accordance with the provisions of the Ontario Business Corporations Act;

(2) sanctions the following modifications of and variations to condition 8 (Events of Default and Enforcement of Rights) of the terms and conditions of the Debentures:
(a) the substitution for the words "the Company or Xerox Canada" and the words "the Company or, as the case may be, Xerox Canada" on each and every occasion where they appear in paragraph (c) of the words "the Company, Xerox Canada, Xerox Canada Ltd. or Xerox Canada Manufacturing & Research Inc." and the words "the Company, Xerox Canada, Xerox Canada Ltd. or Xerox Canada Manufacturing & Research Inc., as the case may be," respectively; and
(b) the substitution for the words "the Company" on each and every occasion where they appear in paragraphs (d) and (e) of the words "the Company, Xerox Canada Ltd or Xerox Canada Manufacturing & Research Inc., as the case may be";

(3) sanctions the modifications of and variations to the Fiscal Agency Agreement dated 3 December 1986 (the "Fiscal Agency Agreement") between the Issuer and Bank of Montreal (London) as fiscal agent (the "Fiscal Agent") substantially in the terms of those provided for in the draft supplemental agreement produced to this meeting and for the purposes of identification signed by the chairman hereof; and

(4) sanctions every abrogation, modification or arrangement in respect of the rights of the Debentureholders and the holders for the time being of the coupons appertaining thereto against the Issuer and XCI whether such rights arise under the terms and conditions of the Debentures, the Fiscal Agency Agreement, the Deed Poll dated 3 December 1986 (the "Deed Poll") entered into by XCI or otherwise as may be necessary or expedient to carry out or give effect to paragraphs (1), (2) and (3) of this resolution or to give to the Debentures and the Debentureholders the benefit of the XCL Deed Poll and the XCMRI Deed Poll referred to below and authorises any breach of the terms and conditions of the Debentures, the Fiscal Agency Agreement and the Deed Poll which may be caused thereby, including for the avoidance of doubt but without limitation and without prejudice to whether such sanction or authority is necessary in relation to or in respect of any amendment, modification or termination of the Financial Support Arrangements (as defined in condition 3 of the Debentures) and any breach of the terms and conditions of the Debentures, the Fiscal Agency Agreement and the Deed Poll which may be caused by the Proposed Amalgamation,

PROVIDED that each of such sanctions and authority shall be conditional upon and shall take effect from execution and delivery to or to the order of the Fiscal Agent of (i) a deed poll (the "XCL Deed Poll") to be entered into by Xerox Canada Ltd. ("XCL") and (ii) a deed poll (the "XCMRI Deed Poll") to be entered into by Xerox Canada Manufacturing & Research Inc. ("XCMRI"), such deeds poll to become effective immediately upon the Proposed Amalgamation taking place, constituting, *inter alia*, a guarantee by XCL and XCMRI respectively of all of the Issuer's obligations in respect of the Debentures, and being substantially in the form of the drafts produced to this meeting and for the purposes of identification signed by the chairman hereof.

By order of the Board, Xerox Canada Finance Inc.
Dated: 30 March 1995 Bank of Montreal (London), Fiscal Agent.

Further Details

Details of the background to the above Extraordinary Resolution are contained in an Information Circular dated on or about 29 March 1995, copies of which are available for collection at the specified offices of the Fiscal Agent and the Paying Agents set out below. Copies of the Fiscal Agency Agreement and of certain other documents are also available for inspection by Debentureholders at such specified offices.

Copies of the Information Circular are also available for inspection or collection at the Issuer's registered office set out below or upon request from the Issuer's Secretary (tel no: Canada (416) 733 6287), to whom any queries relating to the above Extraordinary Resolution should be addressed.

Voting

(1) A Debentureholder wishing to attend and vote at the meeting must produce at such meeting either the Debenture(s), or a valid voting certificate or valid voting certificates issued by the Fiscal Agent or a Paying Agent (each an "Agent") relative to the Debenture(s), in respect of which he wishes to vote.

(2) A holder of one or more Debentures not wishing to attend and vote at the meeting in person may either deliver his Debenture(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction through Euroclear and Cedel or on a block voting instruction issued by an Agent instructing an Agent to appoint a proxy or proxies to attend and vote at such meeting (or, if applicable, any adjourned such meeting) in accordance with his instructions.

(3) Debentures may be deposited with any Agent or to its order at a bank or other depository (which shall include being blocked in a securities account at Euroclear or Cedel) until the time being 48 hours before the time fixed for the meeting (or, if applicable, any adjourned such meeting), but not thereafter, for the purpose of obtaining voting certificates or appointing proxies or giving block voting instructions in respect of the meeting. Any Debenture(s) so deposited or held will be released at the conclusion of the meeting (or, if applicable, any adjourned such meeting) or upon surrender of the voting certificate(s) or, not less than 72 hours before the time for which the meeting (or, if applicable, any adjourned such meeting) is convened, the voting instruction receipt(s) issued in respect thereof to the Agent who issued the same and the giving of notice by such Agent to the Issuer of such surrender.

(4) Voting certificates and block voting instructions shall be valid for so long as the relevant Debentures have not been released as described above. All instructions given to an Agent in relation to a block voting instruction shall, during the period of 48 hours before the time for which the meeting (or, if applicable, any adjourned such meeting) is convened, be neither revocable nor subject to amendment.

REGISTERED OFFICE OF XEROX CANADA FINANCE INC.
5650 Yonge Street
North York
Ontario M2M 4G7

FISCAL AGENT
Bank of Montreal
11 Walbrook, 2nd Floor
London EC4N 8ED

PAYING AGENTS
Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels
Union de Banques Suisses (Luxembourg) S.A., 36-38 Grand Rue, L-2011 Luxembourg
Bank of Montreal, 1, First Canadian Place, Toronto, Ontario M5X 1A1, Canada

ESPIRITO SANTO INVESTMENT MANAGEMENT
(in liquidation)
SICAV
Luxembourg, 11, rue Aldringen
R.C. Luxembourg N° B 29386

Notice to Shareholders

The Extraordinary General Meeting of Shareholders of March 17, 1995 declared an interim liquidation dividend of USD 7.04 per share of the sub-fund Southern European Fund, payable as from March 20, 1995 against presentation of the share certificates at Kredietbank S.A. Luxembourgeoise, 43, boulevard Royal, L-2955 Luxembourg.

The Liquidator

The Nippon Credit Bank (Curaçao) Finance, N.V.
U.S. $500,000,000
Subordinated Floating Rate Guaranteed Notes 2000

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 29th March, 1995 to 29th June, 1995 is 6.55% per annum. The Coupon Amount payable on the 29th June, 1995 in respect of each of U.S. $10,000 in principal amount of each note is U.S. $167.39.

Bankers Trust Company, London — Agent Bank

THE TAX FREE WAY TO PLAY THE MARKETS*

CITY INDEX

We are the leaders in financial and commodity spread betting. Accounts are normally opened within 72 hours. Up-to-date prices 8am- 9pm. Page 609 Teletext CH4. For brochure and account application form call 0171 283 3667.
* Subject to tax law

ABBEY NATIONAL
Treasury Services plc
GB £120,000,000 Surbordinated Floating Rate Notes due 1995

Notice is hereby given that for the Interest Period from 29th March, 1995 to 29th June, 1995, the Notes will carry a Rate of Interest of 7.3375% per annum. The amount of interest payable on 29th June, 1995 will be GB £2,219,342.40.

Agent Bank: Dai-Ichi Kangyo Bank (Luxembourg) S.A.

CCF

Crédit Commercial de France

Lire 150,000,000,000 Floating Rate Notes due 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from March 30, 1995 to June 30, 1995 the Notes will carry an Interest Rate of 10.98438% per annum.

The Coupon Amount payable on the relevant Interest Payment Date, June 30, 1995 will be Lire 140,356 per Lire 5,000,000 nominal amount of Note and Lire 1,403,560 per Lire 50,000,000 nominal amount of Note.

The Agent Bank
Kredietbank Luxembourg

Province of Newfoundland

CAD 75,000,000 Retractable Bonds due 2007

In accordance with the Terms and Conditions of the Bonds and pursuant to the notice published on March 8, 1995, the Province of Newfoundland hereby gives notice that for the Interest Period from April 08, 1995 to April 08, 2001, the Bonds will carry an Interest Rate of 9% per annum.

The Fiscal Agent
Kredietbank Luxembourg

KOREA LIBERALISATION FUND LIMITED

TO THE HOLDERS OF IDR-WARRANTS

Your attention is drawn to your right to subscribe for Ordinary Shares of USD 0.01 each of *KOREA LIBERALISATION FUND LIMITED* ("the Company") and such right may be exercised in the manner set out below from 30th March, 1995 to 28th April, 1995. In order to exercise your subscription rights, your instruction should be accompanied by a payment equal to USD 10.50 for each Ordinary Share for which you are subscribing.

The following information may help you to decide whether or not to exercise your subscription rights this year. The middle market quotations from one of the independent market makers in the Company's Ordinary Shares and Warrants were USD 4.375 and USD 2.5 respectively on 23rd March, 1995.

The new Ordinary Shares resulting from subscription will be allotted not later than 12th May, 1995. Such Ordinary Shares will rank pari passu in all respects with the existing issued Ordinary Shares of the Company except that they will not rank for any dividends or distributions in respect of the year ended 31st December, 1994.

Application will be made to the Council of the London Stock Exchange for the Ordinary Shares allotted pursuant to the exercise of the subscription rights to be admitted to the Official List not later than 12th May, 1995.

Exercise of your subscription rights should not of itself result in any liability to Capital Gains Tax. A liability to Capital Gains Tax or Capital Transfer Tax may arise, however, if you subsequently dispose of, or nominate some other person to receive, the Ordinary Shares arising from subscription. If you are in any doubt as to your tax position, you should consult your professional advisers.

If your subscription rights are not exercised on 28th April, 1995 you will still have the right to exercise your subscription rights during the years 1996-2003 inclusive.

This notice is sent in accordance with the terms of the Warrant Deposit Agreement. It is not to be taken as a recommendation to holders of Warrants to exercise their subscription rights or otherwise.

By Order of the Board
Jupiter Asset Management Limited
Secretary

Morgan Guaranty Trust Company of New York
Avenue des Arts 35,
1040 Brussels, BELGIUM

TSB

TSB GROUP PLC
(Incorporated in Scotland with limited liability, registered number 95000)

£100,000,000 Perpetual Floating Rate Notes

Notice is hereby given that the Rate of Interest has been fixed at 7.325% and that the interest payable on the relevant Interest Payment Date June 30, 1995 against Coupon No.21 in respect of £10,000 nominal amount of Notes will be £182.62.

March 30, 1995, London
By: Citibank, N.A., (Issuer Services), Agent Bank CITIBANK

Bimantara Citra to list 20% stake

By Manuela Saragosa in Jakarta

Bimantara Citra, the Indonesian holding company controlled by Mr Bambang Trihatmodjo, son of President Suharto, plans to sell a 20 per cent stake on the Jakarta stock exchange in the middle of this year.

Last December, the president's eldest daughter listed shares in one of her companies, Citra Marga Nusaphala Persada.

Bimantara Citra has 26 subsidiaries with interests in transport, media, telecommunications, hotels and property, chemicals, the assembly of Mercedes-Benz cars in Indonesia, and financial services.

The company said the listing was planned to coincide with Indonesia's celebrations in August of 50 years of independence.

"The 50th anniversary will be a good occasion to go public," said Mr Ahmad Fuad Afdhal, corporate secretary at Bimantara Citra. "We want to share our companies with the Indonesian people."

An international road show is planned for May, which will take Mr Trihatmodjo to Hong Kong, Germany, the US and Japan. Brokers say foreign investors' appetite for the company has to be whetted because about 80 per cent of trading on the Jakarta Stock Exchange is driven by foreign investors.

The company said Bimantara Citra's listing may be delayed by a few months if market conditions do not favour a share flotation.

It is not yet clear how much Bimantara plans to raise – some brokers have estimated it will be between $100m and $200m – or how it will spend the funds.

The proposals mark Bimantara's second attempt to seek a public listing. Last year, it planned to list shares in its broadcasting station Rajawali Citra Televisi Indonesia. However, the ministry of information blocked that attempt after it decided foreigners were not allowed to own shares in Indonesian media.

The Indonesian brokerage house Makindo is advising Bimantara Citra and is likely to be appointed as underwriter.

S&P downgrades two big Japanese brokers

By Emiko Terazono in Tokyo

Nomura Securities and Yamaichi Securities, two of Japan's "big four" brokers, have had their debt ratings lowered by Standard & Poor's, the international credit rating agency.

The move comes amid declining profitability among Japanese brokers because of falling trading volumes on the Tokyo stock market and increasing competition from securities subsidiaries of the country's leading banks.

Nomura had its senior unsecured debt lowered to AA minus from AA, while Yamaichi's credit rating was lowered to BBB plus from A minus.

The outlook for the two companies remained difficult, the agency said, due to a lack of meaningful restructuring in the industry, which is facing further deregulation and increased competition.

Nomura recently announced a Y22bn ($246m) consolidated loss for the current fiscal year ending this month, reversing its performance last year. S&P said it did not expect Nomura's profitability to recover to levels justifying its former rating, even though the company's performance was better than other Japanese brokers.

Efforts by Yamaichi to halt the decline in its revenues and diversify its operations, had so far been unsuccessful, S&P said.

It added that the company's earnings had declined in spite of its aggressive restructuring, and that the company was expected to post large trading losses on bonds and stocks in the current fiscal year.

Mixed results from Israeli banks

By Eric Silver in Jerusalem

Israel's two biggest banks reported sharply contrasting results yesterday. Hapoalim announced net profits of $175.9m in 1994, an increase of 24 per cent over the previous year, but profits at its troubled rival, Leumi, fell by 21.8 per cent to $109.8m.

The performance of the two banks was also reflected in their net return on equity, which rose to 10.1 per cent at Hapoalim from 8.8 per cent in 1993, while Leumi's fell from 8.5 per cent to 6.3 per cent.

Both banks are on the block under the government's privatisation programme. Two bids are currently being considered for Hapoalim, but the only bid for Leumi was recently withdrawn.

Hapoalim attributed its increased profits, the highest ever reported by an Israeli company, to an expansion of its client base and increased activity by existing clients.

It also benefited from a rise in business activity of the group; a decline of 30 per cent in doubtful debt provisions; and an increased contribution by affiliates and subsidiaries, including the Koor group, which reported net profits of $120m earlier this week.

Leumi blamed the decline in profits mainly on last year's crisis in the money and capital markets, which cut into its operational income from capital market operations.

It also suffered from an increase in pension payment liabilities due to a fall in the value of the covering assets. These two factors cost the bank a total of $98m. It was further hit by an erosion of $81.8m in revenues from foreign exchange transactions.

Bank Hapoalim did not escape the capital market crisis. Its profits from financing activities, before provisions for doubtful debts, fell by 6.9 per cent to $722m. At the same time, operating and other income dropped by 5.6 per cent to $629.3m.

Israel's peace dividend lures banks

Investment houses see potential for new business, writes **Julian Ozanne**

Israel is increasingly attracting the attention of international investment bankers seeking new business as the Jewish state and Israeli companies look towards the international capital markets.

Global investment houses say that in the wake of the Middle East peace process and continued economic liberalisation, Israel has potential for new business across a range of product services.

These include equity and debt underwriting; project financing; government debt; advisory services in privatisation and mergers and acquisitions; research and trading and asset management.

The flurry of interest contrasts sharply with the past when investment banks, with the exception of a few US-based houses and speciality boutiques, shied away from Israel because of political risk and heavy state intervention in the economy.

Foreign investment banks, led by Lehman Brothers, were active in underwriting and distributing US-traded Israeli companies, mostly in the high tech sector, in the 1980s and early 1990s. However, a marked change has come about with the peace process.

"After the 1993 peace breakthrough, all restrictions came off," said Mr Ron Lubash, managing director of Lehman Brothers' Tel Aviv office. "All of a sudden, European, Japanese and the US banks which were not involved in Israel started showing up and Israel was placed on the emerging markets watch list."

Investment banks such as Morgan Stanley and Solomon Brothers have recently appointed Israeli analysts for the first time.

Lehman Brothers last year became the first global house to establish a full office in Israel, and this month, Morgan Stanley included Israel in its emerging markets global and free index, a benchmark for emerging markets fund managers. It credited the country with a weighting of 2.3 per cent – a move which should unleash a wave of new foreign investment in Israeli equities.

One of the main drives behind the new found interest in Israel is the government's privatisation programme, which could realise $2bn this year and a further $3bn-$4bn in 1996-1997.

Israel has already sold $528m of equity this year in private sales and is seeking to tap the global capital markets with the assistance of international investment banks.

Lehman Brothers has been appointed lead global co-ordinator for a 22 per cent international offering of Israel Chemicals, worth about $200m-$210m and expected in May.

Merrill Lynch is leading the global offering of 25 per cent of Bezek, the state-owned telecommunications company, worth up to $700m and also expected in May.

El Al, the state-owned airline, and Zim, the shipping company, are on the block this year and could together raise a further $150m.

Wertheim Schroder is advising the government on the sale of Israel Chemicals and Morgan Stanley is advising it on the privatisation of Bezek.

Another potential for new business is in issuing government and corporate debt.

Foreign investment banks such as Solomon, Lehman, Bear Sterns and CS Boston have been actively involved in issuing US guaranteed Israeli government debt for immigrant absorption and refinancing loans on military hardware purchases.

However, the government is now planning to issue non-US supported sovereign debt.

It plans to raise up to $200m of debt on the Euromarket, largely to establish a presence there and make use of its recently announced official credit rating of BBB plus.

Lehman Brothers is also involved in a $200m debt offering by the Israel electric company, the first unsupported debt issue by a government company, expected to be offered in the Yankee bond market, the domestic US bond market for foreign companies, later this year.

Another growing market for international investment banks is project finance.

Several big infrastructure projects requiring foreign investment are being planned, including the Trans-Israel highway, the Carmel tunnel; the new Ben Gurion airport terminal, waste treatment facilities and light railway systems for Tel Aviv and Haifa.

In addition, numerous infrastructure projects have been unveiled as part of the Middle East peace process. These include dams; the construction of a new international terminal at the Jordanian airport at Aqaba for use by Israel; an Israel-Jordan road to the port of Haifa, and a road/tunnel around the northern tip of the Red Sea.

Growing M&A activity is also likely to generate business, with Israeli companies buying abroad and foreign groups buying in Israel.

Asset management, however, will probably develop more slowly. Interest is growing among foreign institutional investors in Israeli companies listed in Tel Aviv, but they are still sceptical whether Israel has broken the back of inflation and moved into a cycle of interest rate cuts.

Barclays de Zoete Wedd launched a $158m Israel fund last year, which is currently trading as a discount of about 24.6 per cent. Several other investment banks such as Morgan Stanley and Lehman Brothers have relatively small positions on the market.

However, Israel analysts say conditions are ripe for a boom in foreign investment in a market which is considered undervalued after more than a year of bearish trading which saw the Mishtanim index of the top 100 blue chip companies fall more than 30 per cent.

"I think we are on edge of a wave of foreign investment," said a London-based fund manager. "A lot of money coming away from Latin America will find its way to Israel."

Dairy Farm Highlights 1994

A Demanding Year

- Trading profit — unchanged
- Earnings per ordinary share — + 11%
- Dividends per ordinary share — + 6%

- Capital expenditure over US$200 million
- New supermarket joint ventures in Japan and Malaysia
- 2,500 retail outlets worldwide

"Dairy Farm's results are being affected by the challenges of a highly competitive industry and by the cost of expanding into new markets. Trading profit for 1995 is, therefore, likely to be lower than in the previous year. Nevertheless, the investments we are making should enhance returns in future years."

Simon Keswick, Chairman
29th March 1995

1994 RESULTS

	Year ended 31st December 1994 US$m	1993 US$m
Turnover	5,585.3	4,979.6
Trading profit	269.6	270.8
Exceptional item	41.8	–
Profit before interest and taxation	311.4	270.8
Profit before taxation	294.0	252.3
Profit after taxation and minority interests	227.4	197.5
Profit after preference dividends	213.8	188.8
Shareholders' funds	1,160.7	1,001.1
	US¢	US¢
Earnings per ordinary share	12.52	11.28
Dividends per ordinary share	6.00	5.65

Dairy Farm International Holdings Limited
Incorporated in Bermuda with limited liability

A member of the Jardine Matheson Group

VOLKSWAGEN AG
Wolfsburg

Invitation to the Separate Meeting *of Holders of Preferred Shares*

We have pleasure in inviting holders of preferred shares to the Separate Meeting to be held at 3.00 p.m. on Thursday, June 1, 1995 at the Congress Centrum Hamburg, Am Dammtor, 20355 Hamburg. The start of the Separate Meeting of Holders of Preferred Shares may be subject to delay depending on the duration of the immediately preceding Ordinary Annual Meeting of Stockholders.

Agenda:

1. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders on June 1, 1995 regarding authorisation to create authorised capital stock.
2. Special resolution by the holders of preferred shares regarding approval of authorisation of the Board of Management to create authorised capital stock in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 1 of this agenda.
3. Announcement of the resolutions passed by the Ordinary Annual Meeting of Stockholders regarding authorisation to issue convertible and/or option bonds and the creation of potential capital stock.
4. Special resolution by the holders of preferred shares regarding approval of authorisation of the Board of Management to issue convertible and/or option bonds and to create potential capital stock for the granting of option and convertible rights made out to the bearer in respect of ordinary and/or non-voting preferred shares in accordance with the resolutions passed by the Ordinary Annual Meeting of Stockholders and announced under item 3 of this agenda.

Entitlement to attend the Separate Meeting and to exercise voting rights is restricted to holders of preferred shares who, in accordance with the Articles of Association, deposit their shares or certificates of deposit of their shares from a bank for central depository of securities at the latest by May 23, 1995 at one of the depositories, at a notary or a bank for central depository of securities and leave them there until the end of the Separate Meeting.

The depository in Great Britain is S.G.Warburg & Co. Ltd. in London.

It is also permissible, with the agreement of a depository, to hold the shares at another bank and block them until the end of the Separate Meeting.

Wolfsburg, March 1995 — **The Board of Management**

VOLKSWAGEN AG
Wolfsburg

Invitation to the Ordinary Annual Meeting of Stockholders

We have pleasure in inviting holders of ordinary and preferred shares to the Ordinary Annual Meeting of Stockholders to be held at 10.00 a.m. on Thursday, June 1, 1995 at the Congress Centrum Hamburg, Am Dammtor, 20355 Hamburg.

Agenda:

1. Presentation of the confirmed financial statements, the consolidated financial statements, the Management Report and the Group Management Report for the year ended December 31, 1994, together with the Report of the Supervisory Board.
2. Resolution on appropriation of net earnings available for distribution.
3. Resolution on ratification of the actions of the retired member of the Board of Management, Mr. Juan Antonio Diaz Alvarez, for the fiscal year 1993.
4. Resolution on ratification of the actions of the Board of Management for the fiscal year 1994.
5. Resolution on ratification of the actions of the Supervisory Board for the fiscal year 1994.
6. Resolution on the creation of authorised capital stock and the appropriate amendment of the Articles of Association.
7. Resolution on the creation of further authorised capital stock for the purpose of issuing shares to employees and the appropriate amendment of the Articles of Association.
8. Resolution on authorisation to issue convertible or option bonds, creation of potential capital stock and the appropriate amendment of the Articles of Association.
9. Resolution on approval of an inter-company agreement.
10. *Appointment of auditors for the fiscal year 1995.*

In respect of items 6, 7 and 8, the holders of non-voting preferred shares will decide on the passing of a resolution at a Separate Meeting to be held at 3.00 p.m. on the same day regarding their approval of the resolutions passed at the Ordinary Annual Meeting of Stockholders.

Entitlement to attend the Annual Meeting of Stockholders and to exercise voting rights is restricted to stockholders, and with regard to voting rights holders of ordinary shares, who, in accordance with the Articles of Association, deposit their shares or certificates of deposit of their shares from a bank for central depository of securities at the latest by May 23, 1995 at one of the depositories, at a notary or a bank for central depository of securities and leave them there until the end of the Annual Meeting of Stockholders.

The depository in Great Britain is S.G.Warburg & Co. Ltd. in London.

It is also permissible, with the agreement of a depository, to hold the shares at another bank and block them until the end of the Annual Meeting of Stockholders.

Wolfsburg, March 1995 — **The Board of Management**

BAWAG

BANK FÜR ARBEIT UND WIRTSCHAFT A.G.
(Incorporated with limited liability in Austria)

U.S. $100,000,000 Subordinated Floating Rate Notes due 2000

In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 6.5% per annum and that the interest payable on the relevant Interest Payment Date September 29, 1995, against Coupon No.21 in respect of U.S.$10,000 nominal of the Notes will be U.S.$330.42.

March 30, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

United Kingdom

U.S.$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th March, 1995 to 30th June, 1995, the Notes will bear interest at the rate of 6 per cent. per annum. Coupon No.35 will therefore be payable on 30th June, 1995, at the rate of US$7,666.67 from Notes of US$500,000 nominal and US$153.33 from Notes of US$10,000 nominal.

S.G.Warburg & Co. Ltd.
Agent Bank

CITICORP

U.S. $150,000,000

Subordinated Floating Rate Notes Due September 2005

Notice is hereby given that the Rate of Interest for the period March 30, 1995, to June 30, 1995 has been fixed at 6.0% and that the interest payable on the relevant Interest Payment Date June 30, 1995, against Coupon No. 7 in respect of US$5,000 nominal of the Notes will be US$76.67 and in respect of US$100,000 nominal of the Notes will be US$1,533.33.

March 30, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

COMPANY NEWS: UK

Increased demand seen for building materials in UK and US

Blue Circle rises to £184m

By Andrew Taylor, Construction Correspondent

Increased demand for building materials in the UK and the US enabled Blue Circle, Britain's biggest cement manufacturer, to increase pre-tax profits for 1994 by 11 per cent, from £165.6m to £184.4m($302m). Stripping out an exceptional charge of £59.4m, profits rose 47 per cent to £243.8m (£165.6m).

The charge consisted mainly of a provision of £44.3m, reflecting losses on the disposal of the New World cooker business, of which £35.1m represented a goodwill write-off. A further £16.2m represented Blue Circle's share of an EU anti-cement cartel fine, which is being appealed.

Worldwide cement, concrete and aggregates businesses increased operating profits by 43 per cent to £196.8m (£137.7m) while European bathroom and domestic heating products lifted their input 4 per cent to £67.1m (£64.4m).

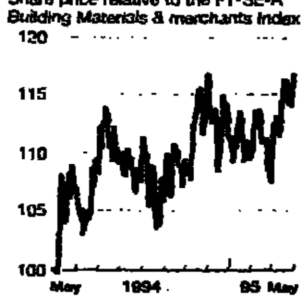
UK cement profits jumped 78 per cent to £64.1m (£36.1m), helped by a 15 per cent increase in volume sales. Employment in this division has been cut substantially and further large cost savings are planned. Operating margins on UK cement sales rose from 13 per cent to 20.2 per cent, close to the group's best returns.

Cost savings also played a substantial part in raising US building material profits by 49 per cent to £48.6m (£32.6m) on sales of £348.1m (£311.7m).

The biggest single profits advance occurred in Africa. An 88 per cent increase to £24.6m marked surprisingly strong growth in a generally weak Nigerian market.

Blue Circle

Share price relative to the FT-SE-A Building Materials & merchants Index



Source: FT Graphite

RJB ahead of forecast with £16m

By Michael Smith

RJB Mining, the UK's largest coal company, yesterday pleased investors with 1994 profits above forecasts and statements that it is exceeding production and sales targets at the mines it took over from British Coal three months ago.

RJB lifted pre-tax profits by 32 per cent to £16.1m – ahead of the profit forecast of £15m it made last November.

Mr Richard Budge, chief executive, said sales and output were above the company's projections. He was encouraged by recent rises in world coal prices and expected to replace a significant proportion of the 6m tonnes of domestic and industrial coal imported to the UK each year.

Mr Budge said that the Point of Ayr pit in north Wales was the only one which was lossmaking.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Adwest	6 mths to Dec 31	90 1	(63)	6.21	(3.93)	5.4	(3.8)	2.3	May 26	2.1	-	7.5
Blue Circle	Yr to Dec 31	1,780	(1,679)	184.4♠	(165.6)	12 7	(14.5)	8	July 3	7.5	11.75	11.25
Bourne End	Yr to Dec 31	15.2‡	(4.54‡)	0.841	(0.055L)	1	(0.4L)	0.6†	July 6	0.25	1.1	1
Caird	Yr to Dec 31	16 1	(18 1)	0.99L♠	(26.5L♠)	1.72L	(49.66L)	-	-	-	-	-
Cakebread Robey	Yr to Dec 31	17.6	(18.6)	0.682	(0.503)	11 1	(8.3)	1	July 3	nil	1	nil
Capital Inds	Yr to Dec 31	79 8	(73.5)	5.01♠	(4.52)	13.3	(12.6)	2.5	May 23	2.4	4.6	4.4
Chime Comms	9 mths to Dec 31 □	17.4	(6.26)	0.128♠	(1.19L)	0.7L	(18L)	0.8	June 13	-	0.8	-
Coats Viyella	Yr to Dec 31	2,589	(2,444)	105.1♠	(150 3♥)	7.8	(14 4♦)	5	July 3	4 75	8.5	8
Croda Intl	Yr to Dec 31	473	(415.1)	42.8♥	(48.9♥)	22.9	(27.6)	5.8	July 3	5.45	8.9	8 4
EFT	Yr to Dec 31	9.74	(7.65)	3 35♥	(2.03)	6.74	(4.01)	1.225	May 12	1.04	1.75	1.5
Frost	Yr to Dec 31	229 4	(177.2)	10.9	(7.65)	11.6	(9 5)	3.2†	July 3	2.7	5.9	4 9
Grampian Holdings	Yr to Dec 31	112.8	(113.6)	8.51	(5.63♠)	8.73	(7.35)	4.05	May 30	3.8	5 75	5.5
Harrisons Crosfield	Yr to Dec 31	2,110	(2,210)	236.7♥	(98)	27.3	(8.6)	5.4	July 3	5.4	9	9
Hay (Norman)	Yr to Dec 31	7.38	(7.84)	0.27L	(3.82L)	1.8L	(25.43L)	-	-	-	-	-
Johnston Group	Yr to Dec 31	133.8	(130)	5.42	(2.6L♠)	31.7	(33.15L)	6.5	July 4	1	10	2
Johnston Press	Yr to Dec 31	95 3	(86.3)	14.7♠	(12.5)	7.4	(6.75)	1.32	May 15	1.125*	2.0075*	1.75*
Kier	6 mths to Dec 31	286.5	(238 1)	2.7	(3.3)	57	(72)	-	-	-	-	-
Meggitt	Yr to Dec 31	345.5	(359.7)	14.8	(23.3)	4.3	(7.1)	2.63	July 7	2.63	3.93	3.93
Next	Yr to Jan 28	652.9	(544.2)	107.4♥	(73.5)	21.8	(17.3)	6.25	July 3	4	9	5 5
Ocean	Yr to Dec 31 ■	1,026	(963.7)	19.9♠	(45.5)	5.1	(21.2)	9.62	June 1	9.62	14 33	14.33
Portmeirion Potteries	Yr to Dec 31	27.5	(24.6)	4.73	(4.18)	30.67	(28.42)	7.5	June 1	6.75	10	9
Pressac	6 mths to Jan 31	23.8	(16.3)	1.41	(0.684)	3.1	(1.59♦)	0.9†	May 24	0.75	-	2.83
Prestwick	6 mths to Jan 29	14 4	(17.7)	0.411	(1.95L♠)	0.41	(9.96L)	nil	-	nil	nil	nil
Princedale	Yr to Dec 31	42.9	(26)	3.79♥	(0.74)	6.9	(1.9)	0.3	May 30	0.25	0.5	0.25
Queens Moat Houses	Yr to Jan 1	426.6	(381.3)	95.2L♠	(46.4L♥)	12.4L	(6.4L)	nil	-	nil	nil	nil
RJB Mining	Yr to Dec 31	119.3	(74.8)	16.1	(12.2)	26.3	(24.7)	7.3	Apr 13	7	12.5	12
Senior Eng	Yr to Dec 31	393.6	(390)	18.1	(24.2)	4.38	(6.95)	2.1†	June 5	2.1	3.4	3.36
Thorpe (FW)	6 mths to Dec 31	10.4	(9.5)	1.12	(0.87)	5.94	(4.7)	1.25	May 16	1	-	3.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Exmoor Dual	5 mths to Feb 28	28.58	(60.71)	0.32	(0.466)	3.62	(5.28)	2.25✝	May 30	2.25	-	9.05
L'don & St Law	6 mths to Feb 28	172.08	(180.4)	0.96	(1.69)	2.91	(5.14)	3.12	May 23	3.12	-	6.24

Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ‡Rental income. †On increased capital. □Comparatives for 12 months to March 31 1994. ♦Restated for bonus element of enhanced share dividend. *Equivalent after allowing for scrip issue. ■Comparatives restated. ✝Second interim; makes 4.5p to date.

Provision hits Coats Viyella

By Motoko Rich

Losses on business disposals knocked £51m off the profits of Coats Viyella, the UK's largest textiles and clothing company. The pre-tax figure fell 30 per cent from £150.3m to £105.1m ($168m) after provisions for losses on the sale of the carpets, yarns and fabrics divisions.

Excluding exceptionals, a turnround in the performance of the fashion retailing division and growth in its precision engineering division helped the group push underlying pre-tax profits up 18 per cent, from £129.1m to £152.4m.

Mr Neville Bain, chief executive, said the company had recovered raw material cost increases through cost cutting, product re-engineering, and by passing on some price rises, and would continue to do so. "The signs are there that we are going to be able to see good growth this year."

Worldwide demand was mixed, but sales rose 5.9 per cent to £2.59bn (£2.44bn).

In the thread division – the largest business – the devaluation of the Turkish currency affected demand and the results on translation, cutting £5m-£10m from profits. However, better performances elsewhere helped the division's operating figure rise to £86.2m (£82.6m).

After an unsuccessful attempt to attract younger customers in the first half, the fashion retailing division returned to traditional designs and pushed operating profits up from £9.1m to £10.8m.

A shift in the knitwear market towards shaped products depressed the clothing division. An investment of £18m in new machinery was made to accommodate the changes, and operating profits slipped to £30.4m (£32.6m). Home Furnishings was hit by the sluggish UK housing market and raw material price rises. Operating profits fell to £11m (£12.2m).

LEX COMMENT

Northern Electric

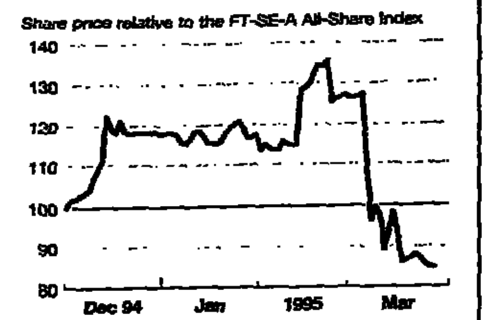
Momentum is building for a showdown with Northern Electric's management. Admittedly, discontent has only come from arbitrageurs who paid more than £10 a share at the height of the Trafalgar House bid. They would feel comfortable with any bid that lifted the share price above the current 729p. But they should be able to command 10 per cent of Northern's shares and call an extraordinary general meeting to try to put a bid back on the rails.

It is no bad thing that Northern will be put on the spot. This is a management whose reaction to Trafalgar's bid was to push for a referral to the Monopolies and Mergers Commission. A reminder of the management's need to serve its shareholders would be timely, given the current share price. After all, it could be months before Professor Stephen Littlechild, the electricity regulator, delivers his verdict on a tougher regime for electricity companies. And there is no guarantee that Trafalgar will still be around.

At present, most UK institutions appear content to wait for Prof Littlechild's judgment before there is another bid. An egm will at least gauge the level of support for this stance, but Northern would be wise to look for ways of earning it. Letting Trafalgar know that higher offers would be considered is one course. Or Northern could issue the preference shares that formed part of its defence package. Subsequent dividend pay-outs would not drain substantial cash, and it would demonstrate that Northern believes shareholders' patience should be rewarded.

Northern Electricity

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Disposals boost H&C to £237m

By Peggy Hollinger

Harrisons & Crosfield, the conglomerate which has raised almost £300m ($480m) from disposals over the last year, is scouting the globe for acquisitions after announcing annual profits above expectations.

On sales 5 per cent lower at £2.11bn (£2.21bn) the pre-tax result jumped from £98m to £236.7m.

The advance was due to a net gain on disposals of £138.5m. Last year Harrisons sold its Indonesian plantations business, a French breakfast cereals subsidiary, and two Australian subsidiaries for an aggregate £281.7m.

Mr Bill Turcan, chief executive, said the company was "definitely in search of acquisitions" both in the UK and abroad, focusing on the speciality chemicals and timber and building supplies sectors.

Deals of about £50m were more likely than a single large purchase. Talks were under way with two prospective targets in east Asia.

Mr Turcan said Harrisons had enjoyed a better than expected' year, in spite of the profits warning in November. At the time, analysts marked down their forecasts from £115m before exceptionals to between £90m and £100m. Excluding exceptional items, pre-tax profits came to £106.4m.

Surprisingly strong palm oil prices helped the Papua New Guinea plantation to double profits from £6.1m to £12.1m.

Interest charges fell to £17.2m (£28.7m).

Harrisons reported operating profit increases of 7 per cent from its chemicals division and 29 per cent from the timber and building supplies business.

The food and agriculture division's profits fell 16 per cent, hit by low pig prices and a difficult malt market.

The final dividend is maintained at 5.4p, for a static total of 9p. Earnings rose from 8.6p to 27.3p.

Eurotherm £4.4m US purchase

Eurotherm, the industrial process control equipment supplier, is acquiring Systems Automation and Services, based in North Carolina, for £4.4m ($7m) cash.

Systems Automation, which makes custom systems for the control of electronic motors in industrial applications, made pre-tax profits of £1.6m (£700,000) on turnover of £3.4m (£2.6m) in 1994.

Orb Estates

Orb Estates has been awarded damages of C$2.25m for breach of contract from Wendy's Restaurants of Canada.

The settlement relates to legal action taken by Ossory Canada, an Orb subsidiary, concerning Wendy's withdrawal from a long-term lease. Wendy's has appealed. Ossory Canada has counter appealed.

Orb has also sold an office building in Ottawa for C$950,000 and its interest in Hyannis Golf Club at Cape Cod in the US for $950,000.

Annual Meeting of Shareholders

The Annual Meeting of Shareholders will be held on Thursday, May 11, 1995, 10:00 a.m. at the BASF-Feierabendhaus, Leuschnerstraße 47, Ludwigshafen/Rhine, Germany

Agenda

1. Presentation of the Financial Statements of BASF Aktiengesellschaft and BASF Group for 1994; presentation of the 1994 Annual Report covering BASF Aktiengesellschaft and the BASF Group; presentation of the Supervisory Board Report.
2. Declaration of dividend.
3. Ratification of the actions of the Supervisory Board.
4. Ratification of the actions of the Board of Executive Directors.
5. Appointment of auditors.
6. Election of Supervisory Board member.
7. Elimination of existing and creation of new authorized capital.
8. Approval of a control and profit-transfer agreement.

Shareholders wishing to participate in the Annual Meeting and to exercise their right to vote must have deposited their shares during normal office hours and in the prescribed form at a depository bank. The shares should remain deposited until the conclusion of the Annual Meeting. Shareholders have the right to vote by proxy. Depository banks and the full Agenda are published in the "Bundesanzeiger" of the German Federal Republic Nr. 62 of March 29, 1995.

Depository banks in the U.K.:

Morgan Grenfell & Co. Limited
S.G. Warburg & Co. Ltd.

The deposit is only effective if the shares are submitted by Wednesday, May 3, 1995.

The Board of Executive Directors
Ludwigshafen/Rhine,
March 29, 1995

BASF Aktiengesellschaft
67056 Ludwigshafen

BASF

Britannia Building Society

$150,000,000
Floating rate notes 1997

For the period 28 March 1995 to 28 June 1995 the notes will bear interest at 6.84792% per annum. Interest payable on the relevant interest payment date 28 June 1995 will amount to $172.61 per $10,000 note and $1,726.05 per $100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

BAYER AKTIENGESELLSCHAFT

The Annual General Meeting of Bayer Aktiengesellschaft will be held on 26th April, 1995 in Cologne. Payment of a Dividend of 26% for the year 1994 will be proposed

Copies of the Company's Annual Report for 1994 in English will be available from S.G.Warburg & Co. Ltd.

United Kingdom Shareholders who wish to attend and vote at the Annual General Meeting should by 18th April, 1995, inform S.G.Warburg & Co. Ltd., Paying Agency, 2 Finsbury Avenue, London EC2M 2PA who will make the necessary arrangements on their behalf.

Under Section 125 of the German Companies Act, the Board of Management is only obliged to provide information on proposals and nominations that may be made by shareholders if the parties concerned prove their standing as shareholders in good time.

BAYER ATKIENGESELLCHAFT

March, 1995

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INFORMATION: Banafer Vakil
KR House, 78 Fleet Street, London EC4Y 1HY
Tel. +44 (0) 71 842 4083

AKZO NOBEL

The Annual Meeting of Stockholders of Akzo Nobel N.V. – formerly Akzo N.V. – will be held at the Nederlands Congresgebouw, Churchillplein 10, The Hague, on Thursday, April 27, 1995, at 2:00 p.m.

Agenda

1. Opening
2. Report of the Board of Management for the fiscal year 1994
3. Approval of the financial statements of Akzo Nobel N.V. and of the dividend
4. Appointments to the Supervisory Board
5. Proposal to authorize the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders
6. Proposal to authorize the Board of Management to acquire shares of the Company on behalf of the Company
7. Proposal to appoint KPMG Accountants N.V. as the Company's auditors for an indefinite period of time
8. Any other business

Re item 4:
Mr. B. Magnusson has announced his resignation from the Supervisory Board effective April 27, 1995.
It is proposed that Mr. J.E. Kvamström be appointed to the Supervisory Board with effect from the same date.
Nominated for reappointment are Mr. A.E. Cohen, Mr. H.A. van Stiphout and Mr. L.C. van Wachem.

Re item 5:
This proposal concerns the designation of the Board of Management, for a period of eighteen months, as authorized:
a) to issue – and to grant subscription rights to – common shares up to a maximum of 10% of the total number of shares outstanding;
b) to restrict or disregard the preemptive rights allowed to stockholders by virtue of law in respect of the issue of shares or the granting of subscription rights in conformity with (a), but only regarding stock issued pursuant to a resolution of the Board of Management.

Re item 6:
This proposal concerns the authorization of the Board of Management, for a period of eighteen months, within the limits provided by law and the articles of association, to acquire for a consideration shares in the Company at a price not in excess of market value.

Re item 7:
KPMG Klynveld changed their legal form to KPMG Accountants N.V. effective January 1, 1995.

This agenda, the signed financial statements, and a list of personal data on the nominees for the Supervisory Board are available for inspection by stockholders at the Company's office, Velperweg 76, Arnhem.

Copies of the aforementioned documents are available to stockholders without charge at the Company's office and at the banks mentioned below.

Stockholders who wish to attend the meeting or choose to be represented at the meeting shall deposit their shares at the Company's office, Velperweg 76, Arnhem, the Netherlands, alternatively at ABN AMRO Bank N.V., Herengracht 595, Amsterdam, or through one of the banks listed below, before or on Thursday, April 20, 1995.
A stockholder who chooses to be represented shall also give a signed power of attorney – either or not using the bottom portion of the certificate of deposit – whilst the proxy shall surrender the certificate of deposit and the power of attorney before the meeting.
A separate power of attorney duly completed and signed by the stockholder may also be presented by the proxy in the form of a faxed message.

To facilitate prompt verification of the validity of the power of attorney, Akzo Nobel requests the stockholder or the proxy
- to make available a copy thereof to:
Akzo Nobel N.V.
Investor Relations Dept. Fax +31 85 - 424909
P.O. Box 9300
6800 SB ARNHEM, the Netherlands
not later than one day ahead of the meeting.
- or to present the certificate of deposit and the power of attorney one hour before the meeting at the registration desk.

Banks:
In the Netherlands: ABN AMRO Bank N.V., MeesPierson N.V., and Internationale Nederlanden Bank N.V. in Amsterdam, F. van Lanschot Bankiers N.V. in 's-Hertogenbosch, Rabobank Nederland in Utrecht, and their branches;
in the Federal Republic of Germany: Deutsche Bank AG and Dresdner Bank AG in Frankfurt a.M., Berliner Handels- und Frankfurter Bank in Berlin, and Sal. Oppenheim jr. & Cie. KGaA in Cologne;
In Belgium: Generale Bank, Paribas Bank België, and Kredietbank in Brussels;
In Luxembourg: Banque Générale du Luxembourg S.A. in the city of Luxembourg;
in the United Kingdom: Barclays Global Securities Services and Midland Securities Service in Londen;
in France: Lazard Frères & Cie and Banque Nationale de Paris in Paris;
in Austria: Creditanstalt-Bankverein in Vienna;
In Switzerland: Schweizerische Kreditanstalt and Schweizerische Bankgesellschaft in Zurich, Schweizerischer Bankverein in Basel, and their branches, and Pictet & Cie in Geneva;

The Supervisory Board

Arnhem, March 30, 1995

Akzo Nobel N.V.

The Financial Times plans to publish a Survey on

Burgundy

on Monday, April 10

The province of Burgundy is not just about wine. It is now developing in areas such as photography, pharmaceuticals and packaging and as a result is one of France's most important regions.
If you want to reach the influential readers of the Financial Times by advertising in this survey please contact

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Liz Vaughan in London
Tel: +0171 873 3472
Fax: +0171 873 3428

FT Surveys

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 31st March, 1995 to 28th April, 1995 has been fixed at 6.1875% per annum. On 28th April, 1995 interest of U.S. $4.8125 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 28th April, 1995 will be determined on 26th April, 1995.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

Notice
BANK OF QUEENSLAND LIMITED
USD 120,000,000
MULTIPLE OPTION FACILITY AGREEMENT
DATED SEPTEMBER 22, 1992

In accordance with the provisions of the Transferable Loan Certificate issued on September 28, 1992, notice is hereby given that for the six months interest period from March 29, 1995 to September 22, 1995 (Final Maturity Date) the Certificate will carry an Interest Rate of 6.9625% per annum.

Barclays Bank PLC, Hong Kong. As Facility Agent

US $100,000,000
Compagnie Bancaire
Senior Collared Floating Rate Notes due 2002

For the period from March 30, 1995 to September 29, 1995 the Notes will carry an interest rate of 6.3025% per annum with an interest amount of US $32.09 per US $1,000 Note, of US $320.89 per US $10,000 Note and of US $3,208.85 per US $100,000 Note.
The relevant interest payment date will be September 29, 1995.

for and on behalf of
Credit Suisse Financial Products
as Agent Bank

BANQUE PARIBAS
LUXEMBOURG

US $200,000,000
Rothschilds Continuation Finance B.V.
Primary Capital Undated Guaranteed Floating Rate Notes

For the period from March 30, 1995 to September 29, 1995 the Notes will carry an interest rate of 6¼% per annum with an interest amount of US $346.30 per US $10,000 Note.
The relevant interest payment date will be September 29, 1995.

Agent Bank:

BANQUE PARIBAS
LUXEMBOURG

BANQUE NATIONALE DE PARIS S.A. & CO (DEUTSCHLAND) OHG
USD 200,000,000
Floating Rate Subordinated Loan due 2000 to
THE HOKURIKU BANK LTD

Notice is hereby given that the rate of interest for the period from March 30th, 1995 to June 30th, 1995 has been fixed at 6.60 per cent. The coupon amount due for this period is USD 4,216.67 per USD 250,000 denomination and is payable on the interest payment date June 30th, 1995.

The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

MINORCO
NOTICE TO HOLDERS OF BEARER SHARE CERTIFICATES
PAYMENT OF COUPON No. 15

With reference to the notice of final dividend advertised in the press on March 17, 1995 the following information is published for the guidance of holders of bearer share certificates.

The dividend of 38 cents was declared in United States currency. The dividend will be paid on or after May 12, 1995, against surrender of Coupon No.15 detached from bearer share certificates as follows:

(a) at the offices of the Corporation's Continental paying agents:

Banque Générale du Luxembourg
14, rue Aldringen
Luxembourg
Grand Duchy of Luxembourg

Crédit du Nord
34, rue des Mathurins
75008 Paris
France

(b) at the London Securities Department of Barclays Bank plc, Stock Exchange Services Dept., 168 Fenchurch Street, London EC3P 3HP. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either;

(i) in respect of coupons lodged on or prior to May 5, 1995, at the United Kingdom currency equivalent of the United States currency value of the dividend on April 25, 1995; or

(ii) in respect of coupons lodged on or after May 8, 1995, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Barclays Bank plc.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10a.m. and 3p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Barclays Bank plc, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made the net amount of the dividend, after deducting United Kingdom income tax at 20% will be 30.4 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

Copies of the Annual Report of Minorco for the 18 months to December 31, 1994 will be available from the Registered Office of the Corporation and the offices of the paying agents referred to above.

By Order of the Board
N Jordan, Secretary
March 30, 1995
Minorco Société Anonyme — R.C. Luxembourg No. B12139

LLOYDS INTERNATIONAL LIQUIDITY SICAV
1, rue Schiller
L-2519 Luxembourg
R.C. Luxembourg No B 29813

NOTICE

is hereby given to the Shareholders that the Annual General Meeting of Shareholders of LLOYDS INTERNATIONAL LIQUIDITY SICAV will be held at the registered office, in Luxembourg, 1 rue Schiller, on 18 April 1995 at 10.00 a.m. with the following agenda:

1. Submission of the reports of the Board of Directors and of the Authorised Independent Auditor;
2. Approval of the annual accounts as at 31 October 1994 and allocation of the net results;
3. Discharge to the Authorised Independent Auditor for the financial period ended 31 October 1994;
4. Election of the Authorised Independent Auditor for the new financial year;
5. Acknowledgement of the resignations of Mr A B Howells and Mr R C Seamer;
6. Election of Mr R S Moore as a new Director following the resignation of Mr A B Howells;
7. Re-election of Directors;
8. To transact such other business as may properly come before the Meeting.

Resolutions on the agenda of the Annual General Meeting will require no quorum and will be passed by the majority of the votes expressed by the Shareholders present or represented at the Meeting.

By order of the Board of Directors

COMPANY NEWS: UK

Queens Moat 'needs £100m in disposals'

By Peggy Hollinger

Queens Moat Houses, the heavily-indebted hotels group, yesterday revealed a strong improvement in operating profits and set out the task it faces to survive under the financing regime recently agreed by bankers owed £1.3bn.

Mr Andrew Coppel, chief executive, said Queens Moat would have to pay some £65m in annual interest charges by 1997, and sell its 37 provincial County hotels to reduce debt of £200m which falls due in 2000. It is expected that the company will have to raise about £100m in disposals to meet its debt repayment plan.

However, he was confident that Queens Moat would be able to survive the challenge. "Servicing the debt will not be a problem for us," he said.

Analysts were less certain, however, saying Queens Moat was not yet out of the critical ward. "This deal just means that they will continue to exist, not that they are a thriving hotels chain," said one. "They still have to continue trading at expected levels of profitability."

Queens Moat's bankers have been negotiating a refinancing package for two years. A deal was struck last week when the final creditor agreed to a revision of the proposals announced in December.

Under the new deal, Queens Moat will have to pay the interest on £330m in term debt from this July, instead of next year. Mr Coppel said the cost of the revision to Queens Moat was about £25m. The rest of the refinancing remains as in the December proposals. It allows for a £200m debt-for-equity swap, leaving creditors with 60 per cent of company.

Queens Moat also yesterday announced revised provisions for the costs of the lengthy restructuring. The company, which originally had set aside £42m, increased the provision by £5m. Some £22m of this will go to the creditors and their advisers. Queens Moat incurred a further £25m.

Mr Coppel's comments came as Queens Moat unveiled a 91 per cent increase in 1994 operating profits to £35.2m. The UK made most of the profits, whereas Germany the trading environment continued to deterior France and Belgium remained difficult.

Hong Kong costs too high for Virgin

By Roderick Oram, Consumer Industries Editor

Virgin has decided for economic reasons against opening a Megastore in Hong Kong. Property rents were too high and margins on music products too low to support a store, said Mr Wil Whitehorn, a Virgin executive.

Virgin, Mr Richard Branson's fast diversifying consumer goods and services conglomerate, will instead seek opportunities in Taiwan and China with Wheelock Mardon, its local joint venture partner.

"There's a thirst for western-style retailing in the region. The only problem is in Hong Kong," Mr Whitehorn said.

Last November Virgin and Wheelock announced their intention to open a Megastore in Hong Kong in early 1995. Since then "there has been a decline in the retail market and conditions have failed to improve," said Mr Mike Inman, managing director of Virgin Retail's Asia region.

"The Hong Kong music market is relatively small and the additional competition introduced rapidly during the last 12 months is disproportionate to market growth," he added.

Pearson wins at Beat the Clock

Raymond Snoddy and Nikki Tait on buying Grundy Worldwide

Pearson's battle to buy Grundy Worldwide, the independent television production company famous for programmes such as "Neighbours" and "Sale of the Century", last week turned into a game show race against the clock in its own right.

The clock was already ticking when Mr Greg Dyke, the new chairman and chief executive of Pearson Television, flew on Concorde last Wednesday to New York and in the airport lounge met Mr Reg Grundy, who runs Grundy Worldwide from his Bermuda home.


Greg Dyke: hanging on to the Reg Grundy rule-book


Reg Grundy: from quiz shows to Bermuda beach

Mr Grundy, the 71-year-old former radio boxing commentator and quiz show host who founded Grundy Worldwide, and Mr Dyke, who began his career on local newspapers, hit it off straight away and more talks were scheduled for Friday in London.

By then, time was beginning to run out. If the deal had not been agreed on Friday, Mr Grundy would have resumed his journey to Australia where he was yesterday due to meet analysts, and the planned flotation of 35 per cent of Grundy Worldwide would have gone ahead.

The Pearson executive had already been talking to Grundy about programmes for the planned Channel 5 bid when he realised there would be a good fit with Thames Television, the Pearson subsidiary.

Grundy said it would proceed with its international public offering while Pearson promised it would continue with its detailed look at the company. Unusually, because of the planned flotation, extensive details were available on the private, and until then, rather secretive company.

According to the prospectus, revenues in 1993-94 fell to \$79.6m (£48.5m), compared with \$97.8m in the previous 12 months – a drop that was blamed on factors such as Germany's Tele 5 switching to sports programming.

Operating profit dipped from \$18.3m to \$14.9m, although the 1994-5 results are believed to show a considerable recovery.

The flotation, being organised by Merrill Lynch, envisaged the shares of Grundy Worldwide being offered at between \$18 and \$20, raising some \$100m for Mr Grundy and valuing the company at between \$272m and \$302m.

In Australia there has been local comment about the relatively high historic multiple on which the shares were being offered, given the limited resale value of game show programming. The flotation meant, however, that Pearson had the chance of buying within the flotation range or letting the deal go.

The other complexity, apart from price, was what are tactfully being described as "the tax complexities".

The bulk of the company's profits – \$12.7m out of \$14.8m made in 1993-94 – goes through subsidiaries in Bermuda and Antigua where no tax is paid. The Antiguan subsidiary owns the worldwide rights to programme formats and concepts.

"The deal will be earnings-enhancing from year one," said Mr Dyke, adding that further profits would flow from using Thames studios to make Grundy programmes.

Mr Grundy, who is married to Neighbours actress Joy Chalmers-Grundy, began moving out from Australia about a decade ago with what the group has dubbed "parochial internationalism" – adapting game show formats into local language products and selling them into European, Australasian and US markets.

Grundy once described the process as "taking the kangaroos and kookaburras out". The company once took the old US game show, The Sale of the Century, updated it and sold it back to NBC, the US network.

Production accounted for some 75 per cent 1994's \$80m revenues, and distribution the remainder. The programming is currently produced, or co-produced in Australia, New Zealand, the UK, France, Germany, the Netherlands, Sweden, Spain, Italy and Chile.

The biggest single source of revenues was France, providing almost 30 per cent of the group total. The UK produced another 28.1 per cent, and Australia, about one fifth.

But Grundy's declared aim is to target new markets in South Africa, eastern Europe, Latin America and Asia. It has been talking about producing a sports game show for Rupert Murdoch's Star TV aimed at the Indian market to be called "Kricket", for example, and another game show for Indonesian broadcaster, ANTEVE.

Meanwhile, "Neighbours", while accounting for only a quarter of net revenues, brought in about 36 per cent of gross profits last year. The soap is produced under a contract with Australia's Ten Network, which has been extended to October 1996. The main distribution contract is with the BBC in the UK, and runs through to 1998.

Mr Grundy will now be spending more time on his private Bermuda beach, but will remain a consultant to the company he created.

"I don't want to throw away the Reg Grundy rule-book. He's the one who knows how to do it," said Mr Dyke.

Reed Elsevier cuts chiefs' contracts

By William Lewis

Two executive directors of Reed Elsevier, the Anglo-Dutch information and publishing group, have had their three-year rolling contracts cut to two years.

The move follows the company's announcement earlier this year that it had agreed to pay Mr Peter Davis, former co-chairman, a compensation package worth £2.02m.

The 1994 annual report says that Mr Nigel Stapleton, chief financial officer and co-opted member of the executive committee, and Mr John Mellon, a full member of the executive committee, "have this year agreed without compensation to service contracts terminable on two years' notice".

However, the report shows that at least one other Reed Elsevier director still has a three-year rolling contract.

Part of the reason for the size of Mr Davis's pay-off was his three-year rolling contract. Reed yesterday said it would be "cheeky" to assume that the directors' contracts had been shortened as a result. There had been "mitigation of around one-third of his contractual entitlement."

Under a long-term incentive plan covering the period 1992-94 Mr Davis is now entitled to receive 6,032 Reed shares and could be given another 27,000 shares through the 1993-95 plan if certain performance criteria are met.

Other directors received increases in total cash pay of up to 50 per cent last year when pre-tax profits increased by 16 per cent to £620m.

This announcement appears as a matter of record only
IRISH PERMANENT PLC
Demutualisation
IR£55.4 million placing and offer of Offer Shares
IR£81.6 million distribution of Free Shares
Listing on The Stock Exchange in Dublin and London
West Merchant Bank acted as lead financial adviser, joint sponsor and underwriter
West Merchant Bank

This announcement appears as a matter of record only
DUSIT SINDHORN CO., LTD.
acquisition of 83.27 per cent. of the share capital of
KEMPINSKI AG
West Merchant Bank acted for the acquiror
West Merchant Bank

This announcement appears as a matter of record only
BRAU UND BRUNNEN AG
has entered into a memorandum of co-operation and acquired 25.001 per cent. of the share capital of
OKOCIMSKIE ZAKLADY PIWOWARSKIE SA
West Merchant Bank arranged the investment and assisted in negotiations
West Merchant Bank

This announcement appears as a matter of record only
COMMERCIAL INTERTECH CORP.
has acquired
HYDRAULIK ROCHLITZ GmbH
and
SACHSENHYDRAULIK GmbH CHEMNITZ
both subsidiaries of
ORSTA-HYDRAULIK AG
from the
TREUHANDANSTALT
West Merchant Bank acted for the vendor
West Merchant Bank

This announcement appears as a matter of record only
CELLULOSE DES ARDENNES
has been sold to
CARTIERE BURGO S.p.A.
West Merchant Bank acted for a consortium of charge holding banks
West Merchant Bank

International Corporate Finance

This announcement appears as a matter of record only
SVENSKA CELLULOSA AKTIEBOLAGET SCA
acquisition of 75 per cent. of the share capital of
PAPIERWERKE WALDHOF ASCHAFFENBURG AG
for DM 1,526 million
West Merchant Bank initiated this transaction and acted for the acquiror
West Merchant Bank

This announcement appears as a matter of record only
UNIGATE PLC
acquisition of
VEDIAL S.A.
West Merchant Bank acted for the acquiror
West Merchant Bank

This announcement appears as a matter of record only
NAMPAK LIMITED
has issued \$35 million of European Depository Receipts representing ordinary shares of the company
West Merchant Bank acted as lead manager
West Merchant Bank

This announcement appears as a matter of record only
THE HUB POWER COMPANY LIMITED
has issued \$175 million of Global Depository Receipts representing new ordinary shares of the company
West Merchant Bank acted as co-lead manager
West Merchant Bank

We are pleased to announce some of our recent corporate finance transactions on behalf of clients in Europe, Asia and South Africa.

West Merchant Bank – assisting its international clients to fulfil their ambitions.

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West Merchant Bank

THE QUEEN'S AWARD FOR EXPORT ACHIEVEMENT

COMMODITIES AND AGRICULTURE

MARKET REPORT

Palladium rallies to fresh high

The London *PALLADIUM* price bounced strongly yesterday following an overnight rally in New York.

The return of investment fund buyers had pushed the June futures price at the New York Mercantile Exchange up $3.20 to $173.45 a troy ounce and the London price responded with an $8.75 rise to $176 an ounce at the afternoon "fixing". That took it 15 cents above the six-year high reached late last week. The Nymex June price was $176.25 in late trading.

The renewed uptrend followed a bout of investment fund selling that received encouragement on Tuesday when Japanese electronics group Kyocera Corporation said it would substitute cheaper metals in its ceramic condensors because of soaring palladium prices. But dealers said reports yesterday that Japanese imports of the metal continued at a high level offset the scare.

Mr Jake Bernstein president of the New York firm MBH Commodities, pointed out the palladium bull market that started in June 1992 had been longer than many of the recent bull markets in that metal. "The technical conditions suggest a top," he said. "However, the extremely strong upside momentum combined with a very bullish fundamental underpinning, suggest a move to the $200 level in relatively short order."

At the London Metal Exchange base metal prices ended with pared losses after spending much of the day tracking movements in COPPER.

Copper fell sharply on the pre-market on tired long liquidation, but short-covering and stronger nearby premiums rescued it, and apparently other metals, from further losses.

ALUMINIUM was hit by long liquidation, dipping to a low of $1,804 a tonne for three months delivery. The price ended at $1,820, down $28 on balance.

Compiled from Reuters

France backs cocoa producers

By James Harding

France yesterday promised to fight to keep non-cocoa vegetable fats out of European chocolate, a position likely to stall recent efforts to update the European Union chocolate directive.

Speaking at a conference of cocoa growers in Abidjan, Ms Christian Izele, a French economy ministry official said: "On the question of incorporation in chocolate products of vegetable fats other than cocoa butter. . . the authorities are clear and unanimous, they oppose it".

Ivory Coast, which is hosting the conference, along with other West African cocoa producers have been lobbying the European Commission not to reform the 1973 chocolate directive to allow up to 5 per cent vegetable fats other than cocoa butter in chocolate production. EU rules now require chocolate producers to use only cocoa, cocoa butter, milk and sugar, but a few members are exempt and include small amounts of other vegetable fats.

The French statement indicates that even if the Commission pushes through a draft revision of the directive as planned this year, the West African cocoa growers will have a strong ally to oppose the changes in the council.

French officials said the reasons for their opposition to the reform, requested by the Council at the Edinburgh summit three years ago to iron out the inequalities for producers, were obligations to protect European consumers and cocoa producers worldwide.

Ivory Coast estimates cocoa producing countries could lose as much as $390m annually if European chocolate makers were permitted to use cocoa butter substitutes.

The International Cocoa Organisation estimated that cocoa producers' incomes could fall by 12 per cent by 2000 if the EU reforms went ahead.

Foreign mining companies pour money into Peru

By Kenneth Gooding, Mining Correspondent, in Bal Harbour

Money is pouring into Peru to fuel an unprecedented mining boom that will see spending on mining projects over the ten years to 2003 total at least US$8.7bn.

According to Mr Amado Yataco Medina, Peru's vice-minister of energy and mines, spending on exploration will account for $1.8bn of the total, a further $2.2bn will go to expand existing projects and $4.7bn is earmarked for new projects.

Peru's mining history dates back to the Incas' search for gold but in the 20 years from 1970 foreign investment came to a virtual halt because of the government's nationalisation programmes and terrorist activity by the so-called Shining Path guerrillas. Now, following sweeping reforms by President Fujimori, terrorism is on the wane and a privatisation programme is expected to raise $2.3bn while encouraging more foreign investment.

Speaking at the Investing in the Americas conference here, Mr Medina predicted that the value of annual metal production in Peru in the ten-year period would more than double from $2bn to about $5bn. Exports would double in value to $4bn. This jump in value would be helped by an increase in copper production from 400,000 to 900,000 tonnes a year while gold output would double to over 2m troy ounces.

At present about 80 mining companies are exploring in Peru, many looking for gold.

The interest of potential foreign investors has been overwhelming. On one day in January 6,000 mining claims covering 5m hectares were sold for $10m. RTZ, the world's biggest mining company, was the biggest buyer. This rush came because the claims process was stopped for a while so that the authorities could catch up with previous demand. Between September 1992 and May 1994 there were 7,372 applications for exploration concessions – equivalent to 86 per cent of all the exploration concessions previously assigned in Peru.

In contrast to Peru, annual exploration spending in Brazil has dropped from $106m in the 1980s to $65m for the past five years. Mr Jose Luiz Perez Garrido, Brazil's vice minister of mines, predicted, however, that his country would soon have a mining boom of its own because the government was determined to make changes to the 1988 Constitution, blamed by foreign mining companies for their lack of interest in Brazil.

Representatives of state-owned CVRD, Brazil's biggest company, and the garimpeiros, or small, "pick and shovel" miners, joined the minister in urging the 1,200 delegates from 46 countries at the conference to invest in Brazil. Ms Marleni Maria Ficks, president of the Tapajos Garimpeiros Gold Association, and Mr Helcio Roberto Martins Guerra, superintendent of precious metals, CVRD, each said joint venture gold projects were available. Ms Ficks promised that the garimpeiros would "offer decades of experience" to help foreign investors in their search for gold.

Mr Guerra said CVRD had set itself a tough target: boosting its gold production from 550,000 troy ounces in 1995 to 1m ounces by the end of the decade. To this end it had spent $30m on gold exploration in each of the past three years and recently decided to seek joint ventures on ten prospects. Some big international gold mining companies had been contacted and encouraged to come forward with offers.

Mr Garrido, the minister, had previously repeated that the government intended to privatise CVRD and said a study of the various options about how that might be achieved would be available soon.

WMC signs Philippines exploration agreement

By Nikki Tait in Sydney

Western Mining Corporation, the Australian mining company, yesterday announced that it had signed a "finance and technical assistance agreement" with the Philippines government, allowing the Melbourne-based group to explore and develop a 99,400-hectare zone on Mindanao, the country's southernmost island.

WMC said it was only the second FTAA agreement, permitting a foreign-owned company to explore in the Philippines, granted by the government. If a viable deposit is discovered, 60 per cent of pre-tax net revenues will go the government and landowners, and 40 per cent to WMC – after the recovery of capital and operating expenditure incurred in development.

The company's statement on the area's prospects was cautious – although there have already been more inflated reports in Australia. It said that the zone's geology was prospective for copper and gold mineralisation and that a limited portion of the area had been subject to some exploration work under an agreement with previous mineral claim holders.

That had "identified a significant zone of alteration, within which are several outcrops of low-grade gold-copper mineralisation". WMC said that additional drilling work would commence "shortly".

Genetic patenting opens up a moral minefield

David Spark on fears that improved varieties will be out of the reach of poor farmers

Banana palms resistant to the devastating fungal disease black sigatoka are to be genetically engineered by the British multinational Zeneca Seeds and the University of Leuwen, Belgium.

This could mean bigger crops and cut the use of pesticides. In some areas, bananas are sprayed every fortnight to keep black sigatoka at bay.

The resistant banana also has a bearing on the international controversy over the patenting of new genetically-engineered plants.

Zeneca will license the resistance mechanism for commercial growers. Leuwen can employ it free for small-scale banana and plantain growers in Africa.

But the outcome may not always be so neat. Many people fear that patenting will put genetically engineered plants out of reach of the poor farmers in poor countries who need them to grow more food and make more money. And, even if an innovation is free, it still needs adapting to the situations in which it is to be used. It may not be so adapted if the market is small and the breeder's rights in it are unprotected.

The fear concerning patents was fanned by the grant to an American firm, Agracetus, of a patent covering all genetically engineered cotton. The US Patent Office is now seeking to revoke it.

Internationally-financed research institutes in the the Consultative Group on International Agricultural Research have traditionally offered plant material free to breeders and other researchers. But two-thirds of research in agricultural biotechnology now takes place at private sector companies, which need to make their research pay.

It is possible for countries without a law on plant breeders' rights to make use of a patented innovation. For example, Zeneca along with Calgene in the US has patented a technique for delaying the softening of tomatoes, so that they last longer and taste better. It would be possible for a researcher to buy a Calgene tomato in the US and use the seed to produce a longer-lasting variety for the tomato growers of North Ghana, 800km from their Accra market.

However, the latest General Agreement on Tariffs and Trade settlement puts pressure on member countries to introduce laws protecting plant varieties, though the poorest countries are allowed ten years' delay. Breeders can in any event act against unlicensed use of their innovations in internationally traded products.

Mr Tim Roberts, intellectual property manager at Zeneca Seeds, says what plant breeders need is protection for specific innovations. Zeneca Seeds cannot simply finance research out of profits. But it is not going to be in a breeder's interest to charge so much for an innovation that it is not used.

He is not in favour, however, of blanket patents such as Agracetus obtained covering genetically engineered cotton.

Mr Roberts is a member of the international Crucible Group, which brings together researchers, commercial interests, government and non-governmental organisations. It has just produced a report People, Plants and Patents to air the issues.

Mr Geoff Hawtin, director general of the International Genetic Resources Institute in Rome, who chairs Crucible's management committee, accepts that private companies are better than the public sector at producing and distributing seeds. But he wants a system that shares benefits fairly. He is worried by increasing restrictions on the movement of genetic resources. What will happen, he asks, if a crop variety contains up to 30 different patented genes?

Mr Roberts replies that there are probably several hundred patents covering television sets but that does not stop them being sold.

In a note in People, Plants and Patents, he argues for defensive publication, whereby innovators and seedbanks not wanting to patent their innovations should publish them, thereby stopping others from patenting them.

The book shows the differing interests involved. There are:

- Researchers who need free access to genetic material;
- Countries where useful plants have been found
- Farmers whose innovations (for example, coloured cotton) may be commercially exploited by someone else;
- Farmers who traditionally save seed from one year to the next and supply neighbours;
- Then there are companies that do not want their innovations pirated by local seed merchants claiming to be seed-saving farmers.

Genetic engineering has been presented as a technology that can feed the world. The question being raised is whether its products will be available to and affordable by poor farmers.

People, Plants and Patents, by The Crucible Group, published the International Development Research Centre, Ottawa: obtainable in UK from IT Bookshop, 103 Southampton Row, London WC1B 4HH. £7.95 (£9 with post and packing within the UK).

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1796-7	1824-5
Previous	1832-3	1862-3
High/low	1793	1840/1805
AM Official	1793-4	1818-8.5
Kerb close		1820-1
Open int.	214,201	
Total daily turnover	53,857	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1830-5	1820-5
Previous	1825-35	1830-40
High/low		1825
AM Official	1830-5	1820-5
Kerb close		1815-20
Open int.	2,824	
Total daily turnover	847	

■ LEAD ($ per tonne)

Close	585-6	600-1
Previous	599-600	613-4
High/low	585	613/588
AM Official	585-6	588-9
Kerb close		601-2
Open int.	36,238	
Total daily turnover	2,741	

■ NICKEL ($ per tonne)

Close	7535-45	7670-80
Previous	7650-60	7790-800
High/low	7511/7510	7720/7560
AM Official	7511-15	7650-60
Kerb close		7690-700
Open int.	55,498	
Total daily turnover	13,051	

■ TIN ($ per tonne)

Close	5650-60	5710-20
Previous	5750-70	5800-20
High/low		5760/5640
AM Official	5630-40	5680-90
Kerb close		5710-20
Open int.	19,772	
Total daily turnover	4,663	

■ ZINC, special high grade ($ per tonne)

Close	1013-4	1040-1
Previous	1018-9	1045-6
High/low		1043/1022
AM Official	1000.5-1.5	1027-8
Kerb close		1041-2
Open int.	97,196	
Total daily turnover	13,852	

■ COPPER, grade A ($ per tonne)

Close	2957-8	2918-9
Previous	2946-7	2924-5
High/low	2938/2937	2923/2920
AM Official	2938-9	2905-6
Kerb close		2919-20
Open int.	231,546	
Total daily turnover	102,646	

■ LME AM Official £/$ rate: 1.6128
LME Closing £/$ rate: 1.6100

Spot: 1.6058 3 mths: 1.6046 6 mths: 1.6018 9 mths: 1.5983

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Mar	140.80	-0.85	141.65	140.20	1,104	1,016
Apr	138.20	-0.50	138.70	138.80	1,725	277
May	137.05	-0.70	138.25	137.00	28,898	10,082
Jun	135.00	-	135.00	135.00	687	64
Jul	132.15	-0.75	133.30	132.10	6,789	808
Aug	130.65	-1.10	-	-	375	26
Total					49,039	12,708

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz)	$ price	£ equiv	SFr equiv
Close	383.10-383.50		
Opening	382.80-383.20		
Morning fix	383.00	237.181	433.709
Afternoon fix	383.00	237.564	434.897
Day's High	383.90-384.30		
Day's Low	382.65-382.95		
Previous close	382.00-382.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.01	6 months	4.87
2 months	4.26	12 months	5.20
3 months	4.62		

Silver Fix	p/troy oz.	US cts equiv.
Spot	283.40	473.10
3 months	297.35	479.00
6 months	302.25	486.00
1 year	313.25	501.30

Gold Coins	$ price	£ equiv.
Krugerrand	378-390	240-243
Maple Leaf	394.80-397.45	
New Sovereign	89-92	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
	[illegible]					

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	[illegible]					

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	[illegible]					

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	[illegible]					

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
	[illegible]					

■ CRUDE OIL IPE ($/barrel)

	[illegible]					

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	[illegible]					

■ GAS OIL IPE ($/tonne)

	[illegible]					

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	[illegible]					

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	[illegible]					

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
May	114.20	+0.70	114.25	114.10	1,721	75
Jul	115.30	+0.60	115.50	115.35	454	47
	[illegible]					

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	[illegible]					

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	[illegible]					

■ BARLEY LCE (£ per tonne)

	[illegible]					

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	[illegible]					

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	[illegible]					

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	[illegible]					

■ POTATOES LCE (£/tonne)

	[illegible]					

■ FREIGHT (BIFFEX) LCE ($10/index point)

	[illegible]					

Nuts and Seeds

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	941	+3	945	937	814	68
May	951	+6	952	943	18,244	2,832
	[illegible]					

■ COCOA CSCE (10 tonnes; $/tonnes)

	[illegible]					

■ COCOA (ICCO) (SDR's/tonne)

	[illegible]					

■ COFFEE LCE ($/tonne)

	[illegible]					

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	[illegible]					

■ COFFEE (ICO) (US cents/pound)

	[illegible]					

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	[illegible]					

■ WHITE SUGAR LCE ($/tonne)

	[illegible]					

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	[illegible]					

■ COTTON NYCE (50,000lbs; cents/lbs)

	[illegible]					

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	[illegible]					

US DATA

US Futures are latest prices. Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Mar 29	Mar 28	month ago	year ago
2305.4	2310.9	2327.1	1832.8

■ CRB Futures (Base: 1967=100)

Mar 28	Mar 27	month ago	year ago
232.74	232.74	234.01	227.56

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	66.950	-0.825	67.550	66.750	31,371	10,100
Jun	61.700	-0.875	62.550	61.600	24,499	6,164
	[illegible]					

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	[illegible]					
Dec	41.150	-0.100	41.400	41.100	3,221	231
Feb	41.600	+0.150	41.700	41.500	996	88
Total					29,063	8,141

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	40.850	-0.550	41.650	40.100	99	165
Jul	40.950	-0.350	41.850	40.200	4,195	1,895
Aug	38.900	-0.150	39.650	38.550	2,128	874
Feb	50.400	-0.150	50.750	50.400	594	120
Mar	49.500	-	-	-	138	24
May	50.000	-	-	-	9	5
Total					7,164	3,078

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1750	138	173	62	108
1800	110	148	84	132
1850	87	126	110	159
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2850	121	95	45	124
2900	92	75	66	153
2950	68	59	91	185
■ COFFEE LCE	May	Jul	May	Jul
2950	139	239	56	198
3000	110	215	77	224
3050	85	196	102	255
■ COCOA LCE	May	Jul	May	Jul
925	37	67	11	27
950	23	53	22	38
975	13	41	37	51
■ BRENT CRUDE IPE	Jul	Oct	Jul	Oct
1650	90	-	31	-
1700	58	-	53	-
1750	40	-	81	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/May)

		+or-
Dubai	$16.40-6.51q	+0.345
Brent Blend (dated)	$17.95-7.97	+0.185
Brent Blend (May)	$17.40-7.42q	+0.185
W.T.I. (1pm est)	$19.13-9.15q	+0.22

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$179-180	
Gas Oil	$155-156	
Heavy Fuel Oil	$97-98	
Naphtha	$170-171	-1
Jet fuel	$175-177	-0.5
Diesel	$156-157	-0.5

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

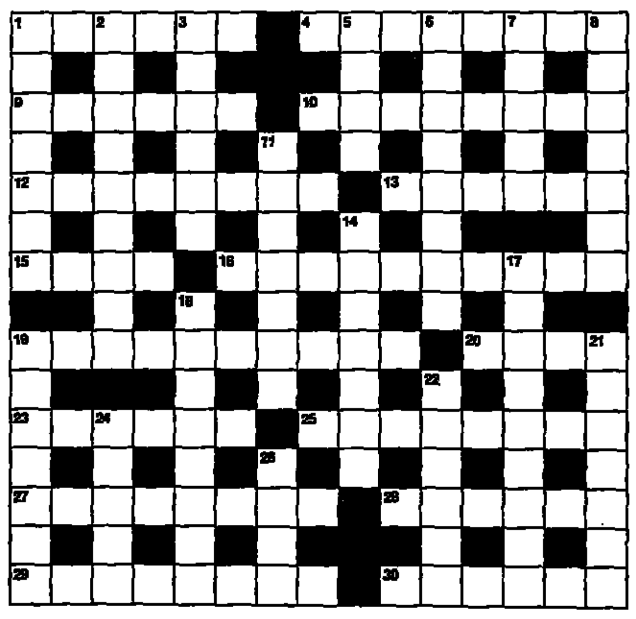
Gold (per troy oz)♣	$383.30	+1.15
Silver (per troy oz)♣	480.50c	+16.0
Platinum (per troy oz.)	$421.60	+6.00
Palladium (per troy oz.)	$176.00	+8.75
Copper (US prod.)	146.0c	-1.0
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	13.61m	+0.05
Tin (New York)	268.50c	-4.0
Cattle (live weight)†	N/A	
Sheep (live weight)†♠	N/A	
Pigs (live weight)†	N/A	
Lon. day sugar (raw)	$371.40	+7.9
Lon. day sugar (wte)	$386.0	+3.0
Tate & Lyle export	£345.0	+3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£141.0	
Wheat (US Dark North)	£165.0	
Rubber (Apr)♥	123.00p	
Rubber (May)♥	123.00p	
Rubber (KL RSS No1)	470.5m	+1.5
Coconut Oil (Phil)§	$632.5u	+7.5
Palm Oil (Malay.)§	$680.0z	-
Copra (Phil)§	$409.0u	+9.0
Soyabeans (US)	£167.0y	-1.0
Cotton Outlook 'A' index	107.05c	-1.40
Wooltops (64s Super)	519p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u Apr/May z Apr. y Mar/Apr. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,724 Set by DANTE



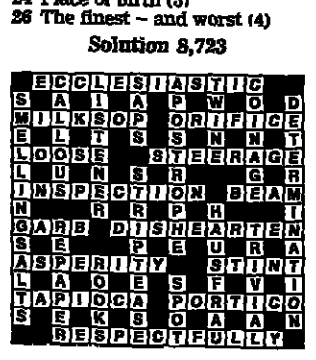
ACROSS

1 Surgeon reveals inclination about retirement (6)
4 Idly following one's fancy as a scribbler (8)
9 He reviews one with opposing views (6)
10 Bar from society (8)
12 Winter trip (4,4)
13 People absorbed in local activities (6)
15 Bird run over by train (4)
16 Part of the film scenery that may be rented out (6,4)
19 As provided by a rock group? (5,5)
20 Draws back from study (4)
23 An appetiser and a rest in church (6)
25 Contradict, using a mild expletive (8)
27 Not a wholesale story-teller? (8)
28 Copy-paper (6)
29 Assign responsibility to a diplomat (8)
30 You'll find me introducing very French measures (6)

DOWN

1 Deuce of a match! (7)
2 Not bubbly, but nevertheless a grape product (5,4)
3 Conversion is done by inventor (6)
5 Some resistance over taxing demands (4)
6 He shows the way on the board, or the boards (8)
7 Small picture of popular group (5)
8 Firing range (7)
11 Omitted to describe the right-hander's boxing stance (4,3)
14 Poet and MP is an odd combination (7)
17 Possibly one item in the repertoire of a bass? (3,6)
18 Checking the filling (8)
19 Pip took the dog in and tied it up (7)
21 News of current interest? (7)
22 A past love, far from extinguished (6)
24 Place of birth (5)
26 The finest – and worst (4)

Solution 8,723



Treasuries rebound on home sales data

By Lisa Bransten in New York and Martin Brice in London

US Treasury prices, which were lower early yesterday, had swung into positive territory by late morning after data showed February sales of single family homes had fallen much more than analysts had expected.

By late morning, the benchmark 30-year Treasury was up $\frac{3}{32}$ at $103\frac{3}{32}$ to yield 7.361 per cent. At the short end of the market, the two-year note gained $\frac{3}{32}$ to 99⅞, yielding 6.676 per cent.

In early trading, the long bond was down more than one-eighth of a point, with the yield back above 7.4 per cent, as traders worried about an afternoon auction of $11bn in five-year notes and a weaker dollar.

Prices jumped after the 10am release of statistics from the Commerce Department showing a 14 per cent decrease in the number of single family homes sold in February, the largest drop in more than a year. Analysts had expected a fall closer to 4 per cent.

The statistics reinforced the view that the economy is slowing gradually, a view that has brought the long bond yield down from 8.2 per cent in November to its current trading range just above 7.3 per cent.

In spite of the outlook for the economy, the weak dollar exerted a restraining influence on yesterday's bond market. Late in the morning the currency was down against the D-Mark and the Japanese yen, changing hands at DM1.3823 and Y88.26 compared with DM1.3880 and Y88.90 late on Tuesday.

■ UK government bonds fell along the yield curve yesterday in light trading. The spread over bunds of the 10-year benchmark issue widened to 156 basis points, from 151 points.

The fall was attributed by some to overnight weakness spreading from Treasuries, but Mr Robert Thomas at NatWest Markets said: "There has been no real interest at the long end of gilts all week."

The long gilt futures contract on Liffe was around $102\frac{11}{16}$, in late trading, down $\frac{5}{16}$.

The auction of £2bn of 8 per cent gilts due 2015 was covered only 1.24 times. Traders said this was not of itself a disappointment, but the tail (the difference between the average bid and the lowest bid) was $\frac{5}{32}$, which was seen as being on the high side. This usually means there is no consensus in the market on price.

GOVERNMENT BONDS

Furthermore, there was full allotment of the lowest bids, which is considered quite rare.

Overseas interest in the auction was seen as non-existent, partly due to the fall in sterling against a strong D-Mark.

One effect of the auction was to leave some market-makers long of stock in the 10-year sector, because domestic investors switched out of 10-year to buy the auction stock of 2015.

Analysts had forecast a cover of between 1.5 and 2. The highest accepted price was $96\frac{5}{32}$, which gives a yield of 8.39 per cent.

The lowest accepted price was $95\frac{15}{16}$, giving a yield of 8.42 per cent. Bids received totalled £2.47bn.

■ German government bonds remained in range-bound trading ahead of the Bundesbank Council meeting today, which is not expected to change interest rates.

There was revived speculation yesterday of a rate move, prompted by dollar weakness, but many analysts discounted this.

The June bund future on Liffe was around 91.82, down 0.24 point, in the afternoon but recovered to 92.01, down 0.05 point, as bunds edged down in Treasury-inspired weakness.

■ In Italy, dealers were watching closely developments between trade unions, government and employers on the question of pension reform. The government plans to present proposals on reform early next week.

The June BTP future on Liffe was around 93.78 in the afternoon, down 0.22, but recovered to 92.01. Support was seen at 93.60 and 93.30. The yield spread over bunds was around 631 basis points in late trading, up from 623 points the day before.

■ The price of Swedish government bonds fell and yields rose yesterday as the krona fell against the D-Mark to a record low.

Talk in the market that a big Swedish bank had advised clients to sell kronor was believed to be partly responsible for the fall in the currency, dealers said.

The yield on the 10-year bond rose by 21 basis points to 11.55 per cent.

Lukoil plans convertible bond issue

By John Thornhill in Moscow

The Russian government has authorised Lukoil, the country's largest privatised oil company, to raise more than $300m in convertible bonds on international and domestic debt markets. The bonds will be secured on an 11 per cent state-owned share stake.

Lukoil, one of Russia's most progressive and aggressive oil companies, will issue the bonds in two tranches. Foreign investors will be able to buy them from May and local investors from September. Lukoil is being advised by CS First Boston.

Proceeds will be used to finance the modernisation of Lukoil's refineries, develop new fields in Siberia and pay outstanding tax. Russia's privatised oil companies have been seeking ways to raise new capital to escape a cash-flow crisis caused by late payments of bills.

Lukoil said the 11 per cent share stake would be held in custody by Bank of New York, giving enough security to allow US pension and mutual funds to buy the bonds.

The Russian government retained a 45 per cent stake in Lukoil when it was privatised.

Austrian steel offer priced

By Conner Middelmann

An offering of 3m new shares in Austrian specialty steel manufacturer Böhler-Uddeholm was priced yesterday at Sch550 a share.

That was at the lower end of the revised Sch550 to Sch600 *price range announced on* Monday, when the Austrian state holding company OIAG lowered the range and withdrew the planned sale of 5.25m shares it holds in the company.

Bank of England outlines plans for gilt repo market

By Antonia Sharpe

The Bank of England said yesterday that the gilt repo market, which is due to start at the beginning of next year, will be open to all, but it envisages that gilt repo business will generally be *wholesale and* inter-professional.

The introduction of a repo market – which will allow investors and traders to borrow and lend UK government bonds through so-called sale and repurchase agreements – is expected to improve the liquidity and efficiency of the gilts market and *help lower* government funding costs.

It will also bring the UK into line with the world's other leading government bond markets, notably the US, Germany and France, and encourage more overseas investors to hold gilts. Currently, close to 20 per cent of gilts are in foreign hands.

Although the bank *has no* immediate plans to enter into gilt repo or stock-lending transactions as part of its gilt market operations, it will monitor the development of the new market and the evolution of money market activity in gilt repo transactions, it said.

"While the bank does not at this stage have plans to change the form of its money market operations, the development of trading activity in gilt repo could make it sensible for the bank to contemplate changes in its operations in due course," it said in a paper outlining its plans for the operation of the market.

Repo transactions will be allowed either directly between a gilt lender and a borrower or via an intermediary and it will also be possible to intermediate such transactions, either as a matched principal or as an agency broker.

The new arrangements will apply to all gilts and forward gilt repo would also be possible, including during the when-issued period in the case of auction stocks.

These provisions will apply equally to repo and stock-lend*ing, a service which is pro*vided to gilt edged market-makers (Gemms) by eight specialist firms called stock exchange money brokers (Sembs).

The bank said that a group which contains a Gemm and a Semb will be free to absorb the Semb's gilt activities into the *Gemm.*

The same freedom will apply to a group which contains a discount house and a Semb. Moreover, the bank will also allow the equity and international securities lending of a Semb to be absorbed into a discount house.

The current restriction that discount houses can only borrow gilts *with a residual maturity* of seven years or less will fall away when the repo market starts, as will the requirement that gilt borrowing be undertaken via a Semb.

The bank proposed that the PSA/Isma global master repurchase agreement, which is widely used in existing repo markets in London, together with a gilt annexe, become the market standard for gilt repo transactions.

The bank plans to upgrade the software of the Central Gilts Office over the next two years so that repo transactions can be settled efficiently.

The bank also published a draft code of best practice yesterday which is being circulated among market participants and regulators for comment. Any comments should be submitted to the bank by May 12.

See Lex

KfW taps the dollar sector with 10-year offering

By Richard Lapper

Activity on the eurobond market remained sluggish yesterday, with the tightness of swap spreads and investor uncertainty continuing to depress new issuance.

INTERNATIONAL BONDS

KfW International Finance, the German financial agency whose solvency is guaranteed by the government, provided the highlight with a $500m 10-year issue. Deutsche Bank, the *bookrunner, will price the deal* this afternoon at 26 basis points over the 10-year Treasury bond.

Although some traders said the pricing was slightly tight, syndicate managers claimed it was in line with the yield in the secondary market on paper issued last week by Inter-American Development Bank, another triple A rated issuer, placed by Deutsche Bank and Goldman Sachs.

The 10-year IDB bond was priced at 24 basis points over US Treasuries but the spread has widened by two basis points in secondary trading.

Institutional investors from Europe and the Far East accounted for the bulk of demand for the KfW issue, said managers.

ABN Amro Hoare Govett led a DM200m five-year issue for *Bayerische LFA Finance, an* Amsterdam-based financing vehicle guaranteed by the federal state of Bavaria. It said demand had come from retail investors in the Benelux countries and Germany.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
KfW International Finance	500	(a)	(a)R	Apr.2005	0.325R	+26(7½%-05)	Deutsche Bank London
D-MARKS							
Bayerische LFA Finance	200	6.75	102.025	May.2000	2.00	-	ABN Amro Hoare Govett
ITALIAN LIRE							
Rabobank Nederland(b)	150bn	12.00	101.225	Oct.1997	1.375	-	Swiss Bank Corp.
AUSTRALIAN DOLLARS							
ANZ Banking Group‡	110	(c)	100.20R	Mar.1997	0.10R	-	Barclays de Zoete Wedd

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Long 1st coupon. c) 3-mth bank bills +5bp.

SBC brought a two-year L150bn issue for Rabobank, the triple A rated Dutch bank. The deal was targeted at investors *in the Benelux countries and* Switzerland as well as in Italy itself. Meanwhile, a two-year A$110m bond from ANZ Banking Group was placed by BZW with a narrow institutional market.

Looking ahead, highly rated borrowers such as the Japan Highway Public Corporation and Oesterreichische Kontroll*bank are rumoured to be con*sidering issuing 10-year US dollar deals.

However, tight swap spreads will continue to reduce the attractions of eurobond issues for borrowers.

"Arbitrage is just not around. Opportunities by virtue of arbitrage windows have closed quite firmly," said one *trader.*

Issuers of 10-year paper are paying on average an extra 10 basis points to obtain Libor funding than they were six months ago, claimed one trader.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.8800	−0.680	10.19	10.30	10.20
Austria		7.500	01/05	100.3600	−0.180	7.44	7.44	7.64
Belgium		7.750	10/04	97.8100	−0.200	8.11	8.06	8.30
Canada *		9.000	12/04	101.0000	−0.350	8.84	8.78	8.98
Denmark		7.000	12/04	87.5000	−0.370	8.97	8.94	8.86
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	97.0300	−1.490	7.92	7.94	7.98
Germany Bund		7.375	01/05	101.4400	+0.080	7.16	7.19	7.41
Ireland		8.250	10/04	82.5000	−0.400	8.81†	8.81	8.79
Italy		9.500	01/05	80.5800	−0.690	13.08	13.07	11.98
Japan	No 119	4.800	06/99	106.6190	-	3.11	3.18	3.83
	No 174	4.600	09/04	106.6060	+0.372	3.66	3.89	4.58
Netherlands		7.750	03/05	102.8800	−0.150	7.33	7.36	7.53
Portugal		11.875	02/05	98.2500	+1.250	12.18	12.07	11.65
Spain		10.000	02/05	86.2900	−0.160	12.46	12.43	11.56
Sweden		6.000	02/05	68.2010	−1.020	11.57	11.35	10.78
UK Gilts		8.000	08/99	91−12	−6/32	8.41	8.39	8.54
		8.500	12/05	99−26	−9/32	8.53	8.49	8.64
		9.000	10/08	103−24	−11/32	8.53	8.48	8.61
US Treasury *		7.500	02/05	102−19	−5/32	7.13	7.19	7.43
		7.625	02/25	102−29	−6/32	7.38	7.46	7.59
ECU (French Govt)		6.000	04/04	85.0300	−0.150	8.43	8.44	8.41

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

Prime rate	9
Broker loan rate	8½
Fed.funds	6¼
Fed.funds at intervention	-

Treasury Bills and Bond Yields

One month	5.75	Two year	6.76
Two month	5.85	Three year	6.86
Three month	5.88	Five year	7.05
Six month	6.09	10-year	7.18
One year	6.36	30-year	7.44

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.26	112.10	-0.38	112.28	112.00	107,163	111,084
Sep	111.78	111.72	-0.32	111.90	111.74	693	6,141
Dec	111.68	111.62	-0.32	111.68	111.68	2	1,539

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Apr	CALLS Jun	CALLS Sep	PUTS Apr	PUTS Jun	PUTS Sep
111	1.09	1.83	-	0.02	0.73	-
112	0.25	1.20	1.62	0.14	1.10	1.92
113	0.03	0.72	1.20	-	-	-
114	-	0.36	0.80	-	-	-
115	-	0.17	0.52	-	-	-

Est. vol. total, Calls 20,518 Puts 16,538. Previous day's open int., Calls 165,451 Puts 228,240.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.98	91.92	-0.14	92.15	91.76	94585	175325
Sep	91.35	91.46	-0.14	91.38	91.35	102	2231

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9150	0.76	1.03	0.92	1.18	0.34	0.61	0.96	1.22
9200	0.48	0.75	0.69	0.94	0.56	0.83	1.23	1.48
9250	0.27	0.53	0.49	0.74	0.85	1.11	1.53	1.78

Est. vol. total, Calls 4748 Puts 8684. Previous day's open int., Calls 125703 Puts 112034

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.68	93.75	-0.25	94.12	93.38	30573	45603
Sep		93.10	-0.25			0	37

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
9350	1.87	2.61	1.62	3.01
9400	1.60	2.39	1.85	3.29
9450	1.33	2.18	2.08	3.58

Est. vol. total, Calls 1392 Puts 773. Previous day's open int., Calls 40457 Puts 30012

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	80.85	80.75	-0.17	80.85	80.43	43,373	45,427

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		102-13	-0-14			0	6577
Jun	102-28	102-19	-0-13	102-28	102-08	68551	83318

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100% 0 100

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
102	1-12	1-40	1-50	2-15	0-38	1-02	1-28	1-55
103	0-42	1-05	1-19	1-48	1-04	1-31	1-59	2-24
104	0-20	0-43	0-59	1-22	1-46	2-05	2-35	2-62

Est. vol. total, Calls 3962 Puts 7128. Previous day's open int., Calls 28898 Puts 39702

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	82.20	82.10	-0.26	82.20	82.02	3,042	7,704

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	104-04	103-29	-0-05	104-08	103-28	298,774	329,157
Sep	103-25	103-15	-0-05	103-25	103-13	721	17,108
Dec	103-03	103-04	-0-03	103-09	103-03	33	1,442

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	114.01			114.27	113.91	2372	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Mar 29	Day's change %	Tue Mar 28	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	119.32	−0.19	119.54	1.65	2.89
2 5-15 years (21)	140.12	−0.43	140.72	2.12	3.18
3 Over 15 years (9)	156.12	−0.51	156.92	1.65	4.05
4 Irredeemables (6)	179.83	−0.79	181.27	3.31	1.47
5 All stocks (60)	136.97	−0.36	137.47	1.91	3.22

	Low coupon yield Mar 29	Low Mar 28	Low Yr. ago	Medium coupon yield Mar 29	Medium Mar 28	Medium Yr. ago	High coupon yield Mar 29	High Mar 28	High Yr. ago
5 yrs	8.49	8.40	7.28	8.53	8.46	7.52	8.67	8.58	7.82
15 yrs	8.47	8.40	7.70	8.58	8.49	7.78	8.75	8.70	8.05
20 yrs	8.44	8.37	7.79	8.56	8.49	7.78	8.69	8.64	7.98
Irred.†	8.47	8.40	7.98						

Index-linked	Wed Mar 29	Day's change %	Tue Mar 28	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	190.01	−0.03	190.08	−0.06	2.57
7 Over 5 years (11)	175.15	−0.34	175.74	0.76	1.28
8 All stocks (13)	175.78	−0.31	176.32	0.68	1.40

	Inflation 5% Mar 29	Mar 28	Yr. ago	Inflation 10% Mar 29	Mar 28	Yr. ago
Up to 5 yrs	3.59	3.56	3.19	2.16	2.12	2.25
Over 5 yrs	3.90	3.87	3.42	3.70	3.68	3.24

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Mar 29	Mar 28	Mar 27	Mar 24	Mar 23	Yr ago	High*	Low*
Govt. Secs. (UK)	91.42	91.79	91.99	91.96	91.74	96.64	107.04	89.54
Fixed Interest	110.34	110.48	110.51	110.42	110.45	115.14	133.87	106.50

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Mar 28	Mar 27	Mar 24	Mar 23	Mar 22
Gilt Edged bargains	94.4	97.4	87.9	94.8	96.0
5-day average	94.1	98.8	98.7	100.1	98.7

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on March 29

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)						
Exch 3pc Gas 1990-95	3.01	5.52	99⅝xd	----	103¼	97¾
10¼pc 1995	10.12	6.35	101⅜	----	107⅞	101⅜
Treas 12¾pc 1995‡‡	12.29	6.55	103¾	----	113⅝	103¾
14pc 1996	13.26	6.88	105⅞	-⅛	117⅞	105⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

Bank of Eng
outlines plan
gilt repo ma

CURRENCIES AND MONEY

MARKETS REPORT

Fed inactivity puts dollar under renewed pressure

The dollar was under renewed pressure on the foreign exchanges yesterday following the decision on Tuesday by the Federal Reserve to leave US interest rates unchanged, *writes Philip Gawith.*

Although widely expected, the decision still served as confirmation of market fears that the Fed is unconcerned about the level of the dollar. It also reduced hopes of any concerted move in interest rates by G 3 countries to support the dollar.

The D-Mark was the beneficiary of fresh dollar disillusion, finishing higher against most currencies. The main victim was the Swedish krona which fell to a new historic low of SKr5.34, before finishing in London at SKr5.31.

The dollar finished over two pfennigs down from its previous close, at DM1.3773, from DM1.3997. Against the yen it finished at Y88.115, from Y89.29, after testing the previous low of Y88.

The weaker dollar pulled sterling lower. It closed in London at DM2.2212, from DM2.2404. It was firmer against the dollar, finishing at $1.6128 from $1.6007.

Attention today will return to the Bundesbank council. There were indications yesterday that the market was less sure than previously that the Bundesbank would not trim the repo rate.

■ The background to today's Bundesbank meeting is well known. As Mr David Coleman, chief economist at CIBC in London, notes: "The D-Mark has appreciated by over 5 per cent on a trade-weighted basis since the beginning of the year, though this masks some even sharper movements in a number of bilateral exchange rates. Against the lira, for example, it is up 18 per cent, while against the dollar it has risen 11 per cent and against the pound it is up 8 per cent."

Taken over the last year, the D-Mark has risen by 18 per cent against the dollar and 24 per cent against the lira.

Some observers believe this constitutes an argument for lower interest rates. As Mr Otmar Issing, the influential Bundesbank council member, told the German magazine Finanzen, a stronger D-Mark would lead to a "clear slowing of economic growth."

He made clear, though, that if German rates are lowered, it will be because of domestic considerations, not the dollar. "We have to do everything possible to avoid creating an impression that we want to solve problems caused somewhere else by keeping our interest rates low," said Mr Issing. He also said that any attempt to to cope with currency misalignments through international coordination was "doomed to fail."

Some help for the dollar came in the form of comments from Mr Larry Summers, the US treasury undersecretary. He told a conference in Washington that the administration remained "fully committed to a sound monetary and fiscal policy necessary to sustain growth, low inflation and a strong and stable dollar."

Mr Mike Gallagher, director of IDEA, the financial markets consultancy, said domestic policy in two of the major countries was pressurising the dollar lower. "The Fed won't react to a weak dollar by tightening, and the Bundesbank doesn't look willing to respond to a stronger D-Mark by cutting rates," he said.

Mr Gallagher said that even if the Bundesbank did trim its rates, this might not help the dollar much. He said recent research showed that a 75 basis point cut in German rates would be necessary to turn the D-Mark round in the medium term.

■ The weakness of the Swedish krona reflects lack of confidence in monetary and fiscal policy. Although some of the economic fundamentals are encouraging, their impact on the currency is largely negated by sizeable capital outflows necessary to service Sweden's foreign debt.

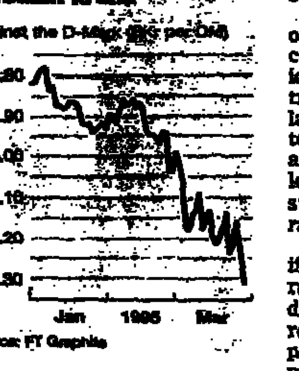
With potentially poor PPI figures due for release today, the krona could come under further pressure, especially as currency weakness is itself fuelling higher inflation.

Mr Nils Christensen, analyst at Technical Data in London, said the central bank needed to raise short-term rates by 75 basis points to support the currency. He predicted that this might follow its council meeting today.

■ The Bank of England cleared a daily money market shortage of £700m at established rates. Three month LIBOR traded at 6⅝ per cent. The June short sterling contract slipped to 92.66, from 92.7.

Swedish krona

Against the D-Mark (SKr per DM)



Source: FT Graphite

■ Pound in New York

Mar 29	Latest	Prev. close
£ spot	1.6085	1.6165
1 mth	1.6083	1.6153
3 mth	1.6071	1.6141
1 yr	1.5980	1.6029

■ OTHER CURRENCIES

Mar 29	£	$
Hungary	190.802 - 191.136	118.390 - 118.490
Iran	2819.72 - 2821.72	1748.80 - 1750.00
Kuwait	0.4749 - 0.4752	0.2945 - 0.2946
Poland	3.7822 - 3.7906	2.3457 - 2.3500
Russia	7867.14 - 7869.56	4877.00 - 4880.00
U.A.E.	5.9215 - 5.9270	3.6725 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Mar 29		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.6318	-0.1366	250 - 385	15.9303	15.5684	15.6194	1.0	15.5858	1.2	-	-	108.5
Belgium	(BFr)	45.7570	-0.3593	390 - 749	46.5490	45.6190	45.782	-0.7	45.692	0.6	45.287	1.0	111.1
Denmark	(DKr)	8.8655	-0.0373	811 - 898	8.9508	8.8465	8.8955	-1.4	8.9088	-1.0	8.8604	0.3	109.2
Finland	(FM)	7.0038	-0.0215	946 - 130	7.0670	6.9770	-	-	-	-	-	-	86.3
France	(FFr)	7.8527	-0.0543	484 - 569	7.9174	7.8297	7.8637	-1.7	7.8812	-1.5	7.8442	0.1	110.2
Germany	(DM)	2.2212	-0.0192	203 - 220	2.2442	2.2096	2.2187	1.4	2.2125	1.6	2.1756	2.1	114.6
Greece	(Dr)	364.256	-1.797	096 - 415	368.545	362.427	-	-	-	-	-	-	68.9
Ireland	(I£)	0.9987	+0.0023	972 - 001	1.0002	0.9922	0.998	0.8	0.9974	0.5	0.9989	0.0	96.1
Italy	(L)	2743.71	+18.6	310 - 432	2755.05	2731.32	2753.81	-4.4	2775.36	-4.6	2857.71	-4.2	64.6
Luxembourg	(LFr)	45.7570	-0.3593	390 - 749	46.5490	45.6190	45.782	-0.7	45.692	0.6	45.287	1.0	111.1
Netherlands	(Fl)	2.4876	-0.0229	866 - 885	2.5130	2.4785	2.4849	1.3	2.4783	1.5	2.4398	1.9	111.1
Norway	(NKr)	9.9579	-0.0358	533 - 625	10.0422	9.9106	9.9486	1.1	9.9327	1.0	9.8269	1.3	100.3
Portugal	(Es)	235.284	-0.684	152 - 416	236.642	234.309	236.079	-4.1	237.789	-4.3	-	-	97.2
Spain	(Pta)	205.997	-0.151	904 - 090	206.542	205.418	206.527	-3.1	207.677	-3.3	212.407	-3.1	77.1
Sweden	(SKr)	11.8034	+0.0895	928 - 140	11.8972	11.7449	11.8055	-0.2	11.8084	-0.2	11.8211	-0.1	77.2
Switzerland	(SFr)	1.8313	-0.0167	301 - 325	1.8534	1.8230	1.8274	2.6	1.8179	2.9	1.7692	3.4	115.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.2
Ecu	-	1.2180	-0.0075	175 - 185	1.2281	1.2155	1.2185	-0.4	1.2189	-0.3	1.2136	0.4	-
SDR†	-	1.03663	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6129	+0.0121	124 - 133	1.6163	1.6082	-	-	-	-	-	-	-
Brazil	(R$)	1.4604	+0.0046	576 - 631	1.4676	1.4575	-	-	-	-	-	-	-
Canada	(C$)	2.2637	+0.0175	628 - 646	2.2716	2.2575	2.2669	-1.7	2.2725	-1.6	2.2755	-0.5	80.7
Mexico	(New Peso)	10.9748	+0.1944	321 - 175	11.0200	10.9200	-	-	-	-	-	-	-
USA	($)	1.6128	+0.0121	124 - 131	1.6163	1.6080	1.6126	0.1	1.6116	0.3	1.6007	0.8	89.8
Pacific/Middle East/Africa													
Australia	(A$)	2.2278	+0.0226	265 - 290	2.2305	2.2260	2.2307	-1.6	2.2366	-1.6	2.2603	-1.5	79.3
Hong Kong	(HK$)	12.4710	+0.0936	679 - 741	12.4885	12.4347	12.4706	0.0	12.4713	0.0	12.4646	0.1	-
India	(Rs)	50.7694	+0.2849	261 - 127	50.8890	50.6840	-	-	-	-	-	-	-
Israel	(Shk)	4.7834	+0.01	782 - 886	4.8120	4.7717	-	-	-	-	-	-	-
Japan	(Y)	142.108	-0.814	036 - 179	143.940	141.770	141.638	4.0	140.468	4.6	134.553	5.3	162.6
Malaysia	(M$)	4.0864	+0.0247	847 - 881	4.1008	4.0750	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4871	+0.018	856 - 886	2.4896	2.4831	2.4932	-2.9	2.5036	-2.7	2.5236	-1.5	98.3
Philippines	(Peso)	41.8025	+0.2338	128 - 922	41.9008	41.7120	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0488	+0.0456	471 - 504	6.0618	6.0313	-	-	-	-	-	-	-
Singapore	(S$)	2.2828	+0.0098	815 - 841	2.2918	2.2789	-	-	-	-	-	-	-
South Africa	(R)	5.7870	+0.0267	845 - 894	5.8039	5.7703	-	-	-	-	-	-	-
South Korea	(Won)	1245.04	+10.54	461 - 547	1247.82	1241.54	-	-	-	-	-	-	-
Taiwan	(T$)	41.9880	+0.3151	708 - 051	42.0723	41.8723	-	-	-	-	-	-	-
Thailand	(Bt)	39.8107	+0.2426	940 - 274	39.9060	39.7020	-	-	-	-	-	-	-

†SDR rates per £ for Mar 28. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 29		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	9.6926	-0.1586	905 - 947	9.7555	9.6880	9.6826	1.2	9.6621	1.3	9.5918	1.0	108.0
Belgium	(BFr)	28.3720	-0.439	670 - 770	28.6020	28.3120	28.382	-0.4	28.387	-0.2	28.302	0.2	110.1
Denmark	(DKr)	5.5065	-0.065	080 - 110	5.5377	5.4980	5.5165	-1.5	5.529	-1.4	5.5645	-1.0	108.1
Finland	(FM)	4.3428	-0.0462	380 - 475	4.3825	4.3335	4.3448	-0.6	4.3448	-0.2	4.3528	-0.2	85.1
France	(FFr)	4.8691	-0.0708	675 - 707	4.9002	4.8621	4.8782	-2.2	4.8931	-2.0	4.9091	-0.8	109.1
Germany	(DM)	1.3773	-0.0224	770 - 775	1.3890	1.3735	1.3759	1.2	1.3731	1.2	1.3603	1.2	113.1
Greece	(Dr)	225.860	-2.83	810 - 910	226.960	225.330	228.36	-13.3	232.61	-12.0	250.36	-10.8	68.0
Ireland	(I£)	1.6150	+0.0085	130 - 169	1.6250	1.6117	1.6159	-0.6	1.6183	-0.8	1.6282	-0.8	-
Italy	(L)	1701.28	-1.24	125 - 127	1708.50	1692.50	1707.31	-4.3	1721.76	-4.8	1783.76	-4.8	65.1
Luxembourg	(LFr)	28.3720	-0.439	670 - 770	28.6020	28.3120	28.382	-0.4	28.387	-0.2	28.302	0.2	110.1
Netherlands	(Fl)	1.5425	-0.026	422 - 427	1.5556	1.5390	1.5411	1.1	1.538	1.2	1.5246	1.2	109.9
Norway	(NKr)	6.1745	-0.069	730 - 760	6.2200	6.1511	6.168	1.3	6.1595	1.0	6.135	0.6	99.0
Portugal	(Es)	145.890	-1.53	840 - 940	146.600	146.450	146.45	-4.6	147.66	-4.9	152.64	-4.6	97.3
Spain	(Pta)	127.730	-1.06	700 - 760	128.000	127.330	128.15	-3.9	128.94	-3.8	132.905	-4.1	76.7
Sweden	(SKr)	7.3188	+0.0006	138 - 238	7.3749	7.2941	7.3328	-2.3	7.3623	-2.4	7.5103	-2.6	77.7
Switzerland	(SFr)	1.1355	-0.019	350 - 360	1.1467	1.1310	1.1329	2.7	1.1281	2.6	1.1062	2.6	113.7
UK	(£)	1.6128	+0.0121	124 - 131	1.6163	1.6080	1.6126	0.1	1.6116	0.3	1.6007	0.8	85.0
Ecu	-	1.3241	+0.0179	238 - 243	1.3255	1.3140	1.3235	0.6	1.322	0.6	1.3186	0.4	-
SDR†	-	0.64765	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	-	000 - 001	1.0001	1.0000	-	-	-	-	-	-	-
Brazil	(R$)	0.9055	-0.004	040 - 070	0.9080	0.9040	-	-	-	-	-	-	-
Canada	(C$)	1.4037	+0.0004	034 - 039	1.4065	1.4015	1.4062	-2.1	1.4105	-2.0	1.4225	-1.3	79.6
Mexico	(New Peso)	6.8050	+0.07	800 - 300	6.8300	6.7500	6.8072	-0.4	6.8104	-0.3	6.8153	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	91.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3812	+0.0036	806 - 818	1.3858	1.3800	1.383	-1.6	1.3878	-1.9	1.4124	-2.3	80.9
Hong Kong	(HK$)	7.7328	+0.0001	325 - 330	7.7335	7.7320	7.7317	0.2	7.7358	-0.2	7.7713	-0.5	-
India	(Rs)	31.4800	-0.06	600 - 000	31.6000	31.4000	31.56	-3.0	31.805	-4.1	-	-	-
Israel	(Shk)	2.9660	-0.0162	634 - 686	2.9779	2.9606	-	-	-	-	-	-	-
Japan	(Y)	88.1150	-1.175	900 - 400	89.1000	88.0100	87.835	3.8	87.165	4.3	84.06	4.6	162.1
Malaysia	(M$)	2.5338	-0.0037	333 - 343	2.5365	2.5310	2.5318	0.9	2.5293	0.7	2.5238	0.4	-
New Zealand	(NZ$)	1.5420	-0.0017	415 - 427	1.5442	1.5385	1.5458	-3.0	1.5538	-3.1	1.5771	-2.3	-
Philippines	(Peso)	25.9200	-0.05	700 - 700	25.9700	25.8700	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 508	3.7508	3.7503	3.7515	-0.3	3.7536	-0.3	3.7656	-0.4	-
Singapore	(S$)	1.4155	-0.0045	150 - 160	1.4180	1.4145	1.4103	4.5	1.402	3.8	1.3755	2.8	-
South Africa	(R)	3.5883	-0.0105	875 - 890	3.5968	3.5815	3.6063	-6.0	3.6436	-6.2	3.8375	-6.9	-
South Korea	(Won)	772.000	+0.75	900 - 100	772.100	771.000	775	-4.7	778.5	-3.4	797	-3.2	-
Taiwan	(T$)	26.0350	-	300 - 400	26.0500	26.0300	26.055	-0.9	26.095	-0.9	-	-	-
Thailand	(Bt)	24.6850	-0.035	800 - 900	24.7050	24.6680	24.706	-1.0	24.7325	-0.8	24.82	-0.5	-

†SDR rate per $ for Mar 28. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 28. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

March 29	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	5⅜	6	6⅛	6¼	6⅜	7.40	4.50	-
week ago	4⅞	6	6⅛	6⅛	6⅛	7.40	4.50	-
France	7⅝	8¼	8¼	8	7¾	5.00	-	8.00
week ago	7¾	8⅛	8⅜	8	7⅞	5.00	-	8.00
Germany	4.59	4.87	4.95	5.08	5.32	6.00	4.50	4.85
week ago	4.85	4.87	5.00	5.15	5.45	6.00	4.50	4.85
Ireland	5¼	6¼	7	7⅜	7⅜	-	-	6.25
week ago	6⅜	6⅝	7	7⅜	7¾	-	-	6.25
Italy	10¼	10⅞	11⅛	11⅛	11⅝	-	7.50	10.15
week ago	10⅞	10⅞	11⅛	11⅝	12	-	7.50	10.40
Netherlands	4.90	5.00	5.07	5.20	5.46	-	5.25	[illegible]
week ago	4.97	5.00	5.10	5.25	5.58	-	5.25	-
Switzerland	3⅛	3⅜	3⅜	3⅜	3⅞	6.625	3.50	-
week ago	3⅛	3⅝	3⅜	3⅝	4⅛	6.625	3.50	-
US	6⅛	6⅛	6¼	6⅜	6⅝	-	5.25	-
week ago	5⅞	6⅛	6⅛	6¼	6⅝	-	5.25	-
Japan	2⅛	2⅛	2	1⅞	1⅞	-	1.75	-
week ago	2⅛	2⅛	2¼	2¼	2⅜	-	1.75	-
■ $ LIBOR FT London Interbank Fixing	-	6⅛	6⅛	6¼	6⅝	-	-	-
week ago	-	6⅛	6¼	6⅜	6¾	-	-	-
US Dollar CDs	-	5.82	6.15	6.33	6.62	-	-	-
week ago	-	5.82	6.08	6.21	6.55	-	-	-
SDR Linked Ds	-	4⅝	4½	4⅝	4⅞	-	-	-
week ago	-	4⅝	4⅞	5⅛	5⅛	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6⅝; 1 year: 7⅛. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Mar 29	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	6 - 5⅞	6 - 5⅞	6 - 5⅞	6⅛ - 6	6 5/16 - 6 3/16	6⅝ - 6½
Danish Krone	6½ - 6	7⅜ - 7	7⅝ - 7¼	7⅞ - 7½	7 13/16 - 7 11/16	7 13/16 - 7 11/16
D-Mark	4¾ - 4⅝	5 - 4 13/16	4⅞ - 4¾	5 - 4⅞	5⅛ - 5	5⅜ - 5¼
Dutch Guilder	5 - 4 13/16	5 - 4 13/16	5 1/16 - 4 15/16	5⅛ - 5	5 5/16 - 5 3/16	5 11/16 - 5 9/16
French Franc	8 - 7¾	8⅛ - 7⅞	8⅜ - 8⅛	8⅜ - 8⅛	8⅛ - 7⅞	7¾ - 7½
Portuguese Esc.	9¾ - 9½	10⅜ - 10	11 - 10¾	11⅜ - 11	11½ - 11¼	11⅝ - 11⅜
Spanish Peseta	8¾ - 8⅝	8⅞ - 8¾	9 3/16 - 9 1/16	9⅞ - 9¾	10 5/16 - 10 3/16	10⅝ - 10⅜
Sterling	6½ - 6¼	6¼ - 6	6⅜ - 6¼	6 13/16 - 6 11/16	7⅛ - 7	7 11/16 - 7 9/16
Swiss Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3⅝ - 3½	3⅝ - 3½	3 13/16 - 3 11/16	4 - 3⅞
Can. Dollar	8⅛ - 7⅞	8⅛ - 7 15/16	8 5/16 - 8 3/16	8 9/16 - 8 7/16	8⅞ - 8¾	8 15/16 - 8 13/16
US Dollar	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16	6½ - 6⅜	6¾ - 6⅝
Italian Lira	10½ - 9	10⅜ - 10¼	10¾ - 10⅝	11 3/16 - 11 1/16	11 11/16 - 11 9/16	12 - 11⅞
Yen	2 5/16 - 2¼	2 5/16 - 2⅜	2 5/16 - 2⅛	2 1/16 - 2	2 - 1 15/16	1 15/16 - 1⅞
Asian $Sng	2¾ - 2⅝	2⅜ - 2¼	2 7/16 - 2 5/16	2⅝ - 2½	2⅞ - 2¾	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.30	92.34	-0.23	92.40	92.22	41,743	51,887
Sep	92.99	93.03	-0.11	93.07	92.97	6,588	33,190
Dec	93.08	93.15	-0.08	93.18	93.06	3,717	20,510
Mar	93.09	93.04	-0.08	93.09	93.09	1,026	15,883

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		93.53	-0.08			0	585
Sep		93.31	-0.11			0	369
Dec		93.07	-0.14			0	255
Mar		93.06	-0.14			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.94	94.94	-0.01	94.96	94.93	22736	182229
Sep	94.75	94.71	-0.02	94.75	94.70	18223	170522
Dec	94.46	94.45	-0.01	94.49	94.44	19125	126917
Mar	94.19	94.15	-0.02	94.19	94.13	6966	66769

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	88.25	88.30	-0.13	88.40	88.12	10690	40324
Sep	88.32	88.48	-0.06	88.48	88.32	2413	23799
Dec	88.46	88.51	-0.06	88.52	88.45	559	12906
Mar	88.47	88.52	-0.02	88.52	88.44	362	7715

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.23	96.27	+0.03	96.34	96.23	2926	22806
Sep	96.13	96.18	+0.05	96.20	96.13	1550	7593
Dec	95.95	96.01	+0.06	96.02	95.95	379	6068
Mar	95.85	95.85	+0.06	95.85	95.84	51	1072

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.99	93.00	-0.07	93.04	92.95	2076	6902
Sep	92.99	92.99	-0.06	93.03	92.97	743	4310
Dec	92.78	92.81	-0.04	92.82	92.78	270	2311
Mar	92.58	92.59	-0.03	92.58	92.56	47	1787

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 29		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.42	17.16	4.854	2.183	5997	5.437	21.76	514.2	450.2	25.79	4.001	2.185	4.948	3.525	310.5	2.662
Denmark	(DKr)	51.50	10	8.837	2.499	1.124	3088	2.800	11.21	264.8	231.8	13.28	2.061	1.125	2.548	1.815	159.9	1.371
France	(FFr)	58.27	11.32	10	2.828	1.272	3494	3.168	12.68	299.6	262.3	15.03	2.332	1.273	2.883	2.054	180.9	1.551
Germany	(DM)	20.60	4.001	3.536	1	0.450	1235	1.120	4.484	105.9	92.75	5.313	0.824	0.450	1.019	0.726	63.98	0.548
Ireland	(I£)	45.81	8.895	7.861	2.223	1	2747	2.490	9.968	235.5	206.2	11.81	1.833	1.001	2.266	1.615	142.2	1.219
Italy	(L)	1.668	0.324	0.286	0.081	0.036	100.	0.091	0.363	8.575	7.507	0.430	0.067	0.036	0.083	0.059	5.179	0.044
Netherlands	(Fl)	18.39	3.572	3.156	0.893	0.402	1103	1	4.002	94.57	82.80	4.743	0.736	0.402	0.910	0.648	57.11	0.490
Norway	(NKr)	45.95	8.923	7.886	2.230	1.003	2756	2.498	10	236.3	206.9	11.85	1.839	1.004	2.274	1.620	142.7	1.223
Portugal	(Es)	19.45	3.776	3.337	0.944	0.425	1166	1.057	4.232	100.	87.55	5.015	0.778	0.425	0.962	0.686	60.39	0.518
Spain	(Pta)	22.21	4.314	3.812	1.078	0.485	1332	1.208	4.834	114.2	100.	5.728	0.889	0.485	1.099	0.783	68.98	0.591
Sweden	(SKr)	38.78	7.531	6.655	1.882	0.847	2325	2.108	8.439	199.4	174.6	10	1.552	0.847	1.919	1.367	120.4	1.032
Switzerland	(SFr)	24.99	4.853	4.289	1.213	0.546	1498	1.359	5.439	128.5	112.5	6.445	1	0.546	1.236	0.881	77.61	0.665
UK	(£)	45.76	8.886	7.853	2.221	0.999	2744	2.488	9.958	235.3	206.0	11.80	1.831	1	2.264	1.613	142.1	1.218
Canada	(C$)	20.21	3.925	3.469	0.981	0.441	1212	1.099	4.398	103.9	90.99	5.212	0.809	0.442	1	0.712	62.77	0.538
US	($)	28.37	5.509	4.869	1.377	0.619	1701	1.542	6.174	145.9	127.7	7.316	1.135	0.620	1.404	1	88.10	0.755
Japan	(Y)	32.20	6.253	5.526	1.563	0.703	1931	1.751	7.008	165.6	145.0	8.304	1.289	0.704	1.593	1.135	100.	0.857
Ecu		37.57	7.296	6.447	1.823	0.820	2253	2.043	8.176	193.2	169.1	9.688	1.503	0.821	1.859	1.324	116.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7293	0.7273	+0.0050	0.7293	0.7219	32,943	55,247
Sep	0.7300	0.7295	+0.0046	0.7305	0.7294	480	2,115
Dec	-	0.7325	-	0.7326	-	21	375

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.1371	1.1432	+0.0070	1.1465	1.1330	17,213	55,713
Sep	1.1518	1.1565	+0.0071	1.1573	1.1518	211	2,391
Dec	-	1.1705	-	1.1705	-	73	372

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8780	0.8846	+0.0069	0.8889	0.8769	19,780	29,015
Sep	0.8906	0.8910	+0.0076	0.8915	0.8895	82	2,352
Dec	0.8960	0.8960	+0.0087	0.8980	0.8980	13	149

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6146	1.6090	-0.0042	1.6146	1.6080	10,339	22,779
Sep	1.6120	1.6050	-	1.6120	1.6050	7	148
Dec	-	1.6030	-	1.6070	1.6030	2	10

UK INTEREST RATES

LONDON MONEY RATES

Mar 29	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 5¼	6 5/16 - 6 3/16	6 5/16 - 6¼	6⅝ - 6⅜	7⅛ - 7	7 11/16 - 7 9/16
Sterling CDs	-	-	6 11/16 - 6 5/16	6⅝ - 6½	7 1/16 - 6 15/16	7⅝ - 7½
Treasury Bills	-	-	6⅛ - 6 1/16	6⅜ - 6¼	-	-
Bank Bills	-	-	6⅛ - 6 1/16	6 13/16 - 6 11/16	6 13/16 - 6¾	-
Local authority deps.	6 5/16 - 5¾	6 5/16 - 6 3/16	6 5/16 - 5¾	6⅝ - 6½	7 1/16 - 6 15/16	7⅝ - 7½
Discount Market deps	6¾ - 5¼	6⅜ - 6⅛	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 6.0805pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 28, 1995. Agreed rate for period Mar 26, 1995 to Apr 25, 1995, Schemes II & III 8.08pc. Reference rate for period Feb 1, 1995 to Feb 28, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from Mar 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.67	92.66	-0.04	92.70	92.63	21108	101672
Sep	92.28	92.26	-0.04	92.30	92.23	12775	67197
Dec	91.96	91.93	-0.05	91.96	91.90	6377	57880
Mar	91.67	91.63	-0.07	91.67	91.60	3312	39242

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9250	0.32	0.26	0.26	0.16	0.50	0.83
9275	0.17	0.16	0.17	0.26	0.65	0.99
9300	0.08	0.10	0.11	0.42	0.84	1.18

Est. vol. total, Calls 3930 Puts 1815. Previous day's open int., Calls 180019 Puts 132168

EMS EUROPEAN CURRENCY UNIT RATES

Mar 29	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.06842	-0.00747	-3.89	9.39	-
Belgium	39.3960	38.0556	-0.1024	-3.40	8.84	25
Germany	1.91007	1.84694	-0.00523	-3.31	8.73	-
Austria	13.4383	12.9994	-0.0359	-3.27	8.68	-
Portugal	195.792	195.386	+0.359	-0.22	5.36	1
Denmark	7.28580	7.38348	+0.01449	1.34	3.74	-9
France	6.40608	6.53519	-0.00099	2.02	3.06	-17
Ireland	0.792214	0.827080	+0.00489	4.40	0.70	-30
Spain	162.493	170.835	+0.594	5.13	0.00	-36
NON ERM MEMBERS						
Greece	292.867	302.811	+0.206	3.40	1.68	-
Italy	2106.15	2278.13	+28.75	8.07	-2.72	-
UK	0.786652	0.830156	+0.00381	5.53	-0.38	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	May	Jun	PUTS Apr	May	Jun
1.525	8.41	8.70	9.11	0.02	0.39	0.84
1.550	6.12	6.68	7.27	0.18	0.80	1.39
1.575	4.02	4.84	5.57	0.56	1.45	2.16
1.600	2.35	3.32	4.12	1.34	2.40	3.12
1.625	1.17	2.19	2.94	2.60	3.65	4.41
1.650	0.50	1.34	2.08	4.42	5.29	5.96

Previous day's vol., Calls 5,659 Puts 8,295 . Prev. day's open int., Calls 234,374 Puts 325,407

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.54	93.52	-0.02	93.55	93.51	92,401	515,160
Sep	93.32	93.30	-0.02	93.32	93.29	107,116	340,008
Dec	93.10	93.07	-0.02	93.10	93.06	75,619	266,894

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.09	94.08	-0.02	94.09	94.06	2,061	15,836
Sep	93.86	93.84	-0.02	93.86	93.83	130	10,479
Dec	-	93.65	-	-	93.65	208	9,077

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	May	Jun	Sep	PUTS Apr	May	Jun	Sep
9475	0.21	0.23	0.26	0.23	0.02	0.04	0.07	0.27
9500	0.03	0.07	0.10	0.13	0.09	0.13	0.16	0.42
9525	0	0.02	0.02	0.06	0.31	0.33	0.33	0.60

Est. vol. total, Calls 3596 Puts 2830. Previous day's open int., Calls 135677 Puts 219061

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	Sep	Dec	PUTS Jun	Sep	Dec
9625	0.14	0.17	0.21	0.12	0.24	0.45
9650	0.04	0.08	0.12	0.27	0.40	0.61
9675	0.01	0.03	0.06	0.49	0.60	0.80

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 898 Puts 685

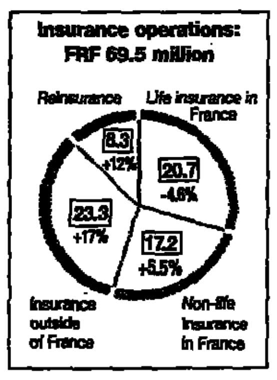
BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Crédit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

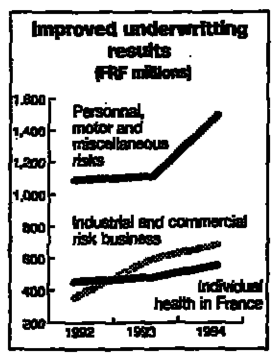
AGF Group 1994 results.

IMPROVED UNDERWRITING RESULTS IN THE INSURANCE SECTOR.

Insurance operations: FRF 69.5 million



Improved underwriting results (FRF millions)



Contribution by activity to consolidated earnings (FRF millions)

Insurance in France	552
Insurance outside of France	209
Reinsurance / Credit insurance	586
Banking and financial activities	(708)
Holdings and real estate companies	241
Net earnings	880

In 1994's fundamentally altered financial environment, the improvement in operating results as posted by the various Group companies, although slower than anticipated, was stable and consistent, and indicative of the genuine soundness of the Group. *In 1994, AGF consolidated net earnings stood at FRF 880 million.*

Recovery in underwriting results in the non-life insurance segment

In non-life insurance, underwriting results recovered in all areas, reflecting several years of efforts to improve profitability. The change was particularly noticeable in individual property and liability insurance, which saw a 33% increase in underwriting results; the industrial and commercial risk business and health insurance areas saw an upswing of 14%.

The scheduled decline in capital gains explained the drop in income from the individual life business. AGF's strategy to maintain profit levels led to decisions to redesign or drop certain products.

The situation remained difficult for group insurance. AGF has continued its efforts to turn around its portfolio. Although underwriting results improved slightly, the operating loss has deepened slightly due to a decline in the value of investment income.

Increase in profits outside of France

The contribution from subsidiaries and major holdings outside of France, excluding financial costs and amortization of goodwill, increased by 72%. After amortization of goodwill but excluding financial costs, the contribution amounted to FRF 209 million, compared with FRF 90 million in 1993.

Credit insurance more than tripled its contribution with the excellent performance of SFAC as well as the first-time consolidation of one-third of COFACE's earnings. Reinsurance activities contributed FRF 122 million, up 40%.

Reduced losses linked to banking activities

The contribution of the banking sector was once again negative (FRF 708 million), mainly due to losses of FRF 887 million at Comptoir des Entrepreneurs. Banque du Phénix *reached its stated objective of cutting losses and continued* to recover, while BFCE recorded another increase in earnings.

Real estate and holding activities suffered from the economic recession. Their contributions fell sharply, from FRF 615 million to FRF 241 million. This reflected the drop in financial markets and the slump in the real estate market. Consolidated net capital gains fell by 50%; the Group's stock of unrealized capital gains stood at FRF 12 billion at December 31, 1994.

Annual General meeting, June 9, 1995

A dividend of FRF 3 per share, with a FRF 1.50 tax credit, representing total revenue of FRF 4.50, will be proposed at the Meeting.

BECAUSE TOMORROW IS DECIDED TODAY

OMNIUM COMMUNICATION

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf		58½	—	117	50¼	6.31	19.8	–
9¾pc Non-Cum Prf		4⅛	—	137½	3	1.98	–	–
Cater Allen		480	—	*630¼	418	150.0	7.7	9.5
Close Bros		292xd	—	*295½	203	229.9	3.9	11.4
Gerrard & Nat		418	-3	519	395	202.8	7.2	12.0
Hambros		213	-1	473	195	376.2	8.8	13.1
7½pc Cv Pf		98xd	+1	181	94	123.7	9.8	–
Joseph (L)		383	—	443	383	20.3	5.8	11.1
King & Shaxson		91	+1	170	85	15.8	12.4	9.0
Kleinwort Benson		651xd	+4	698	424	868.1	4.1	12.7
Rea Bros		58	—	79	53	24.1	2.0	18.2
Schroders		1815xd	+2	1674	1050	1,516	1.7	14.8
N/V		1340xd	—	1468	1043	388.6	1.9	12.3
Singer & Fried		82½	—	114	75	169.3	5.4	φ
Union		85xd	—	*199	70	22.8	4.4	φ
Warburg (SG)		722	-7	1012	569	1,588	3.8	13.2
Wintrust		210xd	—	388	200	17.9	6.3	14.0

BANKS, RETAIL

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅝	+⅛	£23⅜	£19⅝	6,882	5.7	φ
ANZ A$		221	—	278¼	171	2,981	5.1	8.2
Abbey National		470xd	+10	523	380½	6,171	4.7	10.1
Allied Irish I£		270xd	—	314	233	1,799	5.3	10.4
Anglo Irish I£		58	—	70	50	172.1	8.8	10.1
Asahi Y		710¼	-41½	819¼	628	16,502	0.7	–
Banco Bil Viz Pta		£15⅜	-⅛	£17⅛	£14⅛	3,909	5.3	7.0
Banco Sant Pta		£24⅜	—	*£30½	£23⅛	3,880	5.2	φ
Bk Ireland I£		312	-3	*318	246	1,483	4.6	9.0
Bank Scotland		219	+½	247	172½	2,584	3.0	12.3
9¼pc Pf		118	—	141½	106	118.0	9.8	–

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32½	—	£34	£13½	2,124	2.4	Φ
Barlow	♣	85¼	—	25¼	£23	1,237	1.6	22.8
Gold Flds Prop R		147½	—	182	75	15.8	7.1	Φ
MK Props		88	—	98	85	3.82	12.9	—
SASOL	♥	588	—	597	280	3,421	2.3	—
SA Brews	†	£17¾	-⅛	£17¾	£10	4,707	1.6	27.7
Tiger Oats		850	—	875	538	1,278	1.7	20.7
Tongaat-Hulett	†h	690	—	*782	356¼	628.8	2.0	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♠ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT3439. Ring 0181-770 0770 (open 24 hours including weekends) or Fax 0181-770 3822. If calling from outside the UK, ring +44 181 770 0770 or fax +44 181 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg. Call 0171-873 4378 (+44 171 873 4378, international) for more information on FT Cityline.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Money Funds						
Pembroke Hall, Pembroke, Bermuda						
UK: Prvt Advisers 0800 414181						
Private Clients 0800 414161						
From O'seas (44) 1732 777377						
A$ Accum			A$17.411		+0.009	6.40
A$ Dist			A$15.152		+0.008	6.40
ASch Accum			Sch239.18		+0.07	3.80
ASch Dist			Sch201.13		+0.06	3.80
BFr Accum			BFr538.43		+0.22	5.30
BFr Dist			BFr503.53		+0.21	5.20
C$ Accum			C$17.405		+0.008	7.00
C$ Dist			C$15.156		+0.008	7.00
DKr Accum			DKr108.14		+0.05	5.90
DKr Dist			DKr100.77		+0.05	5.90
DM Accum			DM36.771		+0.011	3.80
DM Dist			DM30.182		+0.010	3.80
DFl Accum			Dfl30.519		+0.010	3.90
DFl Dist			Dfl25.158		+0.008	3.90
ECU Accum			Ecu12.673		+0.006	5.50
ECU Dist			Ecu10.080		+0.005	5.50
FM Accum			FM105.48		+0.03	3.40
FM Dist			FM100.80		+0.03	3.40
FFr Accum			FFr82.993		+0.03	6.10
FFr Dist			FFr50.406		+0.024	6.10
HK$ Accum			HK$112.21		+0.05	5.90
HK$ Dist			HK$100.93		+0.04	5.90
I£ Accum			I£11.463		+0.004	4.60
I£ Dist			I£10.909		+0.003	4.60
Lira Accum			L20633		+16	8.90
Lira Dist			L16191		+11	8.90
NZ$ Accum			NZ$36.498		+0.021	7.70
NZ$ Dist			NZ$30.353		+0.018	7.70
NKr Accum			NKr106.22		+0.03	3.90
NKr Dist			NKr100.63		+0.03	3.90
PEs Accum			Es2888.7		+2.1	9.10
PEs Dist			Es2534.9		+1.9	9.10
S$ Accum			S$25.520		+0.002	1.00
S$ Dist			S$25.030		+0.002	1.00
SPta Accum			Pta2438.8		+1.5	7.90
SPta Dist			Pta1821.0		+1.1	7.90
£ Accum			£12.142		+0.005	6.30
£ Dist			£10.082		+0.004	6.30
SKr Accum			SKr108.65		+0.05	7.10
SKr Dist			SKr101.08		+0.05	7.10
SFr Accum			SFr28.676		+0.005	2.50
SFr Dist			SFr25.098		+0.005	2.50
US$ Accum			$27.942		+0.009	5.00
US$ Dist			$20.157		+0.006	5.00
Yen Accum			Y2883.5		+0.2	0.90
Yen Dist			Y2503.6		+0.2	0.90

Prices for dealing March 29

Jersey: 01534 71696 · 00 352 25040423 · Hong Kong (852) 848 1000

Jupiter Tyndall (Bermuda) Ltd

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GUERNSEY (SIB RECOGNISED)

[illegible]

	Init Chrge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.						
Intl Currencies Fd Ltd						
US$			$40.85		+0.01	4.95
Canadian $			C$61.37		+0.01	6.95
£ Sterling			£29.47		+0.01	5.10
D-Mark			DM81.07		+0.01	3.67
Swiss Francs			SFr64.31		+0.01	2.22
Japanese Yen			Y9555		—	1.22
Managed Fund			$43.87		+0.01	—
Latest Fund Prices 24hr service 01481 718043						
Sarasin Funds Mngmt (Guernsey) Ltd						
PO Box 248, St Peter Port, Guernsey 01481 723021						
GlobalSar Dollar Accum	5		$26.84	28.48	—	—
GlobalSar Dollar Dist	5		$25.37	26.93	—	2.69
GlobalSar-£	5		£16.31	17.30	+0.11	3.26
(Accum Units)	5		£18.85	19.97	+0.13	—
Schroder Investment Mngmt (Guernsey) Ltd						
PO Box 255, St Peter Port, Guernsey 01481 710651						
European Bd $	3		$11.0524	11.4383	—	7.62
Approx Stg Equiv	3		£6.9599	7.2029	—	7.62

GUERNSEY (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross
ANZ Mngmt Co (Guernsey) Ltd				
Emrging Mkt Liquid In Pfolio	$11.16	11.68	—	—
Apollo Investment Management Ltd				
Japan	$9.838	10.403	—	—
Tiger	$9.484	10.029	—	—
Arab Bank Fund Managers (Guernsey) Ltd				
AB International Fund Ltd				
Managed Currency	$10.81	10.85	—	—
International Bond	$10.97	11.01	—	—
Bachmann Global Investment Fund Ltd				
Cash, Gilt & Stg Pad Int	£17.83	17.88	—	—
US Dollar Int Bond & Cy	$152.31	155.72	—	—
Sterling Intl Bond & Cy	£100.13	102.92	—	—
Global Equity	£8.63	8.98	—	—
Intl Equity Index	$99.39	102.98	—	—
Bellinvest Management (Guernsey) Ltd				
Bellinvest - Israel Fd	$561.27		—	—
Bellinvest - Brazil Fd	$1089.95		—	—
Bellinvest - Multi Bond Fd	$933.13		—	—
Bellinvest - Global Fd of Fds	$773.80		—	—
Bellinvest - Superior Class	$880.58		—	—
CIBC Fund Managers (Guernsey) Ltd				
PCF Sterling Bond ♦	£10.71	10.88	—	—
PCF US Dollar Bond ♦	$15.31	15.56	—	—
PCF Canadian Dollar Bond ♦	C$21.25	21.60	—	—
PCF Euro Bond ♦	SFr18.17	18.54	—	—
PCF Euro Equity ♦	SFr18.40	19.07	—	—
PCF Balanced ♦	$15.42	15.78	—	—
PCF Far East ♦	$14.17	15.08	—	—
Clariden Investment Management (Guernsey) Ltd				
Clariden India Fund	$98.28		—	—

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Strong close to an uncertain trading session

By Terry Byland
UK Stock Market Editor

London stocks moved ahead sharply yesterday at the close of a trading session passed beneath the shadow of this morning's meeting of the Bundesbank policy council. Doubts among global analysts that the Bundesbank will cut rates were reflected in weakness in dollar stocks and firmness in D-Mark orientated issues.

Share prices moved erratically in the wake of the decision overnight by the US Federal Reserve to leave its own key interest rates unchanged. At mid-morning the stock market extended early falls to 17 points on the Footsie scale following a poor reception for the auction of £2bn of British government securities.

But the stock market rallied strongly in the final hour of trading, spurred on when the Seaq screens showed details of several heavyweight buy programmes. The final reading put the FT-SE 100-share Index at 3,142.3 with an advance on the day of 14 points.

Traders believed that the trading programmes reflected the latest input of cash from the Glaxo-Wellcome deal. Glaxo's £9bn-plus purchase included nearly £6bn in cash which will boost the investment coffers of most leading fund managers. *At least one leading UK securities* house was thought to have put through a large programme at mid-session, although the market had to wait until near the close of trading for official reporting of the deals.

The trading programmes boosted the Seaq daily volume total to 959.3m shares, a level associated with bull market conditions. On Tuesday, Seaq trade of 628.9m was worth £1.4bn in retail business to the London based securities community.

Also encouraging London was a bullish opening on Wall Street which *took the Dow Jones Industrial* Average ahead by 37 points to new trading peaks in London hours.

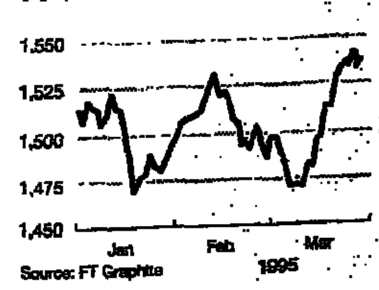
The late upswing came mostly in the Footsie-listed stocks, and the wider market was somewhat left behind. At a closing reading of 3,421.8, the FT-SE Mid 250 Index showed a gain of only 5.6 points and non-Footsie deals made up only 56 per cent of the day's business, some way below recent daily averages.

Corporate results played a less dominating role than in some recent sessions, but increased dividend payouts from Next, the *retailer, and from Coats Viyella and* Blue Circle, sustained favourable valuations of equities.

Among the more speculative issues, Fisons raced ahead as long-standing bid hopes suddenly *came into sharper focus. The company* has been perceived as an almost certain takeover target as it has trimmed itself down to core pharmaceutical activities.

Although expecting UK equities to open firmly this morning, some analysts warned that yesterday's session had been a difficult one, with marketmakers unwilling to take risks now that the close of the first trading quarter of 1995 is at hand. London was to some extent *caught between the US Federal* Reserve and the Bundesbank, with renewed uncertainty in currencies *also discouraging marketmakers* from taking on big positions in the international blue chip stocks.

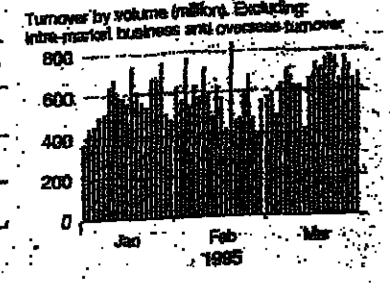
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3142.3	+14.0
FT-SE Mid 250	3421.8	+5.6
FT-SE-A 350	1558.7	+5.9
FT-SE-A All-Share	1538.43	+5.43
FT-SE-A All-Share yield	4.16	(4.17)
FT Ordinary index	2405.9	+10.5
FT-SE-A Non Fins p/e	17.04	(16.97)
FT-SE 100 Fut Jun	3173.0	+26.0
10 yr Gilt yield	8.59	(8.55)
Long gilt/equity yld ratio:	2.09	(2.07)

Best performing sectors

1. Spirits, Wines & Ciders .... +1.5
2. Textiles & Apparel .... +1.4
3. Retailers, Food .... +1.4
4. Building Matls .... +1.2
5. Health Care .... +1.1

Worst performing sectors

1. Household Goods .... -0.7
2. Insurance .... -0.6
3. Life Assurance .... -0.6
4. Electricity .... -0.3
5. Investment Trusts .... -0.2

Wellcome cheques due

Business in the London market was enlivened in late trading as a number of large programme trades appeared on the Seaq electronic ticker.

The trades, estimated by one senior dealer to be "in excess of £500m", were partly attributed to financial adjustment at the end of the financial year. They were also said to represent an influx of cash from shareholders of Wellcome who have benefited from the £9bn-plus bid from Glaxo.

Cheques relating to the bid and worth a total of £5.5bn will be sent out today and land on fund managers' desks tomorrow – for every 100 Wellcome *shares an investor will receive* £722 and 47 Glaxo shares. But as investors have 10 days to settle their accounts, many of them are believed to have allocated their assets yesterday before getting the cash.

Conviction that the pharmaceuticals sector has already discounted the shift of funds left the sector uncertain, and weakness was fuelled by a change of stance by SGST, which turned from positive to neutral.

"The sector has been carried forward on the expectation of *Wellcome money and is now* looking a little tired. We detect that some people are wanting to pocket some profits," said Strauss.

The market was buzzing with stories just before the close of trading that North West Water, the biggest of the water companies, was about to unveil a rebate to water consumers and to accompany this with a special 50p a share payment to shareholders.

"The feeling is that North West would find it very difficult to return capital to shareholders without making a gesture to customers," said one utilities specialist.

North West directors have been talking to institutions in London throughout the week. North West shares edged up a penny to 528p in good turnover of 1.4m shares.

The long-overlooked *building* areas of the market staged a strong comeback yesterday, with the materials and construction sectors providing the top and third best performers in the FT-SE 100 Index – Blue Circle and Redland – plus a sprinkling of outperformers in the FT-SE Mid 250 Index.

*Blue Circle easily outstrip*ped the rest of the FT-SE 100 constituents after the group posted top of the range profits and a better than expected dividend performance. The market's satisfaction with the Blue *Circle* numbers triggered equally keen interest in Redland, which is scheduled to report preliminary figures this morning.

Blue Circle raced up 10, or 3.5 per cent, to 294p on much higher than usual turnover of 4.9m, the third highest over the past year. Redland closed 12 *firmer at 467p: preliminary pre*-tax profits are confidently expected to come in more than 30 per cent higher at around £370m. RMC, third largest of the UK's building materials groups by market capitalisation, rose 15 to 1011p.

Rugby Group, the cement manufacturer, took third position in the Mid 250 performance table, closing 5, or 4.4 per cent, higher at 119p, with some analysts pointing to the group's attractive rating and defensive qualities.

Pharmaceuticals group Fisons jumped 7½ to 180p, its highest level for more than 18 months, as *dealers talked of a* bid worth over 200p a share. Turnover of 10m shares was above the daily average range.

A number of companies were being suggested yesterday. Zeneca was believed to be interested and some analysts also cited Hoechst, BASF and Ciba. Others believe Medeva could have much to gain from a link-up but is unlikely to be able to afford the £1bn price tag and would probably be more interested in a merger or joint venture – both of which would be of little value to Fisons shares.

Many analysts remained sceptical of the rumours, however, and one argued that Fisons' sale of its pharmaceuti*cals research and development* activities last week had dimmed profits growth prospects. Fisons said earlier this month it was looking to sell its laboratories supplies arm and analysts expect a deal to be *concluded soon. Zeneca was* flat at 180p and Medeva added a penny at 215p.

The keenest interest in the banks sector was shown in Abbey National and Lloyds where some large-scale switch*ing activity was said by mar*ketmakers to have been triggered by a recommendation from the banks team at Nomura. The switching resulted in Abbey National climbing 10 to 470p on heavy turnover of 5.6m shares and Lloyds slipping 6 to 599p on 5.6m traded.

NatWest Securities was said to have shifted its profits projections for TSB, causing a minor tremor in the shares early in the session. By the *close the stock had rallied and* settled a fraction up at 238p.

Worries about tightening margins in motor and domestic insurance took their toll of the composites, where Royal dipped 5 to 283p and Guardian *Royal Exchange 3 to 184p.*

Speciality chemicals company Croda International shocked the market with figures well below expectations and the shares fell 26 to 335p.

Headline profits in 1994 slid *to £42.8m from £48.9m, but that* figure was flattered by more than £4m of exceptionals. The number on which analysts focused was the £38.6m pre-exceptional profits total, which compared with forecasts of between £40m and £42m.

The company highlighted poor results in the toiletries and cosmetics division, which it now plans to sell, and high raw material prices.

Mr Charles Lambert from Smith New Court said the figures were "somewhat disappointing" but the pressure *from raw materials could begin* to abate soon. He cut his 1995 estimate by £2.5m to £45m before exceptionals.

Courtaulds fell 9 to 435p, with one sizeable seller meeting unwilling buyers.

*A trading update from Zet*ters, the football pools operator, pointing to a 3.1 per cent *upturn in turnover in the* period February 18 to March 25, compared with the same period last year, saw the shares move up 8 to 104p.

A series of block trades plus a James Capel buy recommen*dation was said to have driven* Iceland Group up 12 to 181p. Turnover came to a heavy 14m shares.

BT strengthened 7 to 394p – with volume reaching 10m – ahead of expected news on interconnection charges.

Textiles group Coats Viyella improved 5½ to 195½p in spite of a drop in 1994 profits to £105.1m, from £150.3m in 1993. Analysts said the company had *demonstrated higher current* trading and containment of costs.

News that Pearson, the media conglomerate, is buying Grundy Worldwide, the Australian television production *group, for £175m gave no* respite to the hard hit shares. Analysts gave a cautious approval to the deal but said it was not enough to offset the nervousness prompted by the figures on Monday. The stock ended 10 off at 553p.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Mar 29	Mar 28	Mar 27	Mar 24	Mar 23	Yr ago	*High	*Low
Ordinary Share	2405.9	2395.4	2417.4	2413.0	2398.7	2445.5	2713.6	2238.3
Ord. div. yield	4.39	4.42	4.38	4.39	4.42	3.80	4.66	3.43
Earn. yld. % full	7.15	7.19	7.12	7.15	7.19	5.19	7.39	3.82
P/E ratio net	16.66	16.57	16.72	16.67	16.56	20.94	33.43	16.11
P/E ratio nil	16.48	16.39	16.54	16.49	16.38	21.82	30.80	15.77

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2393.5	2385.1	2386.1	2389.1	2394.8	2392.2	2391.8	2392.4	2400.1	2405.9	2383.3

	Mar 29	Mar 28	Mar 27	Mar 24	Mar 23	Yr ago
SEAQ bargains	34,820	35,707	33,734	29,083	34,541	46,348
Equity turnover (£m)†	-	1443.7	1411.9	1703.3	1766.6	1759.2
Equity bargains†	-	45,664	47,334	41,775	47,054	55,855
Shares traded (ml)†	-	682.2	653.4	727.5	777.1	674.1

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1994/95 Highs and lows		LIFFE Equity options	
Total Rises	451	Total Highs	22	Total contracts	26,388
Total Falls	741	Total Lows	108	Calls	15,038
Same	1,670			Puts	11,350

March 29 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3148.0	3173.0	+26.0	3190.0	3130.0	13923	64632
Sep	3158.0	3197.0	+26.0	3160.0	3158.0	80	1210
Dec		3226.0	+27.0			0	0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3440.0	3460.0	+20.0	3440.0	3440.0	100	4258

■ FT-SE 100 INDEX OPTION (LIFFE) (*3140) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Apr	211½	1½	183½	4	119½	11½	78	20½	48	39	24½	69	11	110	4½	159½
May	227	10	184½	17½	144½	27½	108	41	78½	61½	53	88½	33½	122	20	162
Jun	238½	19	197½	27½	161	41	127½	58	98	78½	73½	105	52	135½	37	172
Jul	258	30	221	42½	185	56	153½	74½	124	95½	99	121	77½	150½	58½	184½
Dec†			291	80			230½	117½			176½	163½			130	219½

Calls 3,158 Puts 2,565

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Apr	186	2½	148½	7	97½	14	62½	28½	35½	51½	16	81½	6½	122½	3	168
May	205½	13½	164½	21½	126½	33½	93½	50	66	72	44	99½	27½	132½	18½	171
Jun	221	25½	182	36	146	49½	114	66½	85½	87½	62	113	42½	143	28	177½
Sep			232½	66½			168½	98½			113½	140½			71½	195½
Dec†			289	86½			218½	120			164½	161½			118	210½

Calls 1,178 Puts 2,722 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
150	F.P.	514.1	167	154	Albright & Wilson	164	+1	R6.0	1.5	4.6	16.2
–	F.P.	18.4	201	175	Beale	180		H5.9	–	4.1	–
–	F.P.	34.0	150	123	Colleagues	150	+8	–	–	–	–
§128	F.P.	15.6	135	130	Dailywin	130		Rv6.0	2.2	5.8	6.8
§130	F.P.	45.7	138	136	Datrontech	135		–	–	–	15.6
175	F.P.	–	178	174	Expro Intl	176	+1	Wv6.0	3.3	–	–
100	F.P.	30.0	101	100	Geared Inc Inv C	100		–	–	–	–
§135	F.P.	16.0	138	118	Golden Rose	119		–	–	–	–
100	F.P.	161.6	101	95	HTR Inc Gth Sp Inc	101		–	–	–	–
100	F.P.	94.0	105	102	Do. Zero Div Pf	104½		–	–	–	–
–	F.P.	9.40	20	17	Inv Cap Warrants	19		–	–	–	–
–	F.P.	21.8	87	83	Inv Tst of Inv Tsts	84		–	–	–	–
–	F.P.	2.91	59	55	Do. Warrants	58		–	–	–	–
–	F.P.	0.36	5	3	Melrose Warrants	3½		–	–	–	–
100	F.P.	23.8	96	90	Montanaro UK Sm	95		–	–	–	–
–	F.P.	2.15	48	43	Do. Warrants	43		–	–	–	–
476	170	5,999.8	193	162	*Natl Power (P/P)	162	-2½	F15.45	2.8	4.1	12.8
512	165	4,011.3	206	176½	*PowerGen (P/P)	184	-½	F15.0	3.2	3.7	11.0
–	F.P.	81.5	517	493	Schroder I G Uts	515	-2	–	–	–	–
100	F.P.	22.5	97	95	Scott Or Smlr Cos	95		–	–	–	–
–	F.P.	1.90	42	39	Do. Warrants	40		–	–	–	–
50	F.P.	3.34	50	42	Superframe	43		Rv2.0	1.6	5.8	10.5
–	F.P.	0.04	8	6	Do. Warrants	6	-1	–	–	–	–
–	F.P.	24.3	102	100	Throg Di Zero Pf	102		–	–	–	–
145	F.P.	63.4	183	170	Zotefoams	175		Wv4.65	2.1	3.3	17.7

* Note: Issue price 10p higher for institutional and overseas investors.

FT GOLD MINES INDEX

	Mar 28	% chg on day	Mar 27	Mar 24	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1815.19	+0.1	1813.60	1823.72	2135.11	2.33	2337.98	1637.91
■ Regional Indices								
Africa (16)	2514.40	+0.7	2497.99	2514.58	2897.95	5.41	3711.87	2304.45
Australasia (7)	2003.37	-4.6	2100.28	2122.03	2677.22	2.07	2951.49	1788.20
North America (11)	1589.91	+0.8	1577.81	1584.23	1834.68	0.83	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Mar 29	Day's chge%	Mar 28	Mar 27	Mar 24	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3142.3	+0.4	3128.3	3149.8	3153.4	3092.4	4.35	7.88	15.34	44.44	1217.13
FT-SE Mid 250	3421.8	+0.2	3416.2	3419.9	3419.7	3767.1	3.75	6.76	17.89	25.75	1299.01
FT-SE Mid 250 ex Inv Trusts	3430.0	+0.2	3423.3	3427.1	3427.4	3787.8	3.90	7.32	16.64	25.86	1300.28
FT-SE-A 350	1558.7	+0.4	1552.8	1561.4	1562.8	1574.1	4.21	7.63	15.85	19.75	1233.59
FT-SE-A 350 Higher Yield	1571.0	+0.4	1564.3	1573.1	1577.7	1579.4	5.18	8.45	14.22	26.98	1026.30
FT-SE-A 350 Lower Yield	1546.5	+0.3	1541.3	1549.9	1547.5	1528.2	3.08	6.67	18.29	12.13	1027.64
FT-SE SmallCap	1709.34	.....	1709.20	1708.22	1704.63	1921.98	3.54	5.34	23.34	13.04	1346.33
FT-SE SmallCap ex Inv Trusts	1686.41	+0.1	1685.47	1684.81	1682.40	1898.30	3.76	5.97	21.12	12.78	1332.88
FT-SE-A ALL-SHARE	1538.43	+0.4	1533.00	1540.81	1541.81	1566.15	4.16	7.45	16.25	18.90	1237.68

■ **FT-SE Actuaries All-Share**

	Mar 29	Day's chge%	Mar 28	Mar 27	Mar 24	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	2696.59	+0.4	2685.10	2683.63	2702.86	2444.68	3.81	6.66	19.00	50.53	1109.42
12 Extractive Industries(7)	3593.13	+0.3	3580.72	3592.92	3584.25	3832.29	3.91	7.68	16.25	91.07	1017.23
15 Oil, Integrated(3)	2686.98	+0.4	2675.05	2672.75	2701.66	2349.96	3.93	6.69	17.63	47.68	1129.52
16 Oil Exploration & Prod(14)	1984.88	+0.4	1976.82	1965.70	1949.61	1787.81	2.54	1.37	80.00†	29.55	1166.58
20 GEN INDUSTRIALS(279)	1840.32	+0.3	1834.54	1847.43	1844.98	2053.52	4.29	6.66	18.25	19.86	957.06
21 Building & Construction(36)	958.99	+0.6	953.66	952.42	952.13	1304.15	4.15	7.77	16.27	7.96	763.57
22 Building Matls & Merchs(31)	1757.19	+1.2	1737.01	1754.70	1758.82	2122.20	4.46	6.57	18.64	4.54	838.47
23 Chemicals(23)	2217.55	-0.1	2220.62	2226.67	2216.81	2440.47	4.27	5.62	21.35	29.60	1004.69
24 Diversified Industrials(17)	1798.88	.....	1799.07	1818.72	1813.12	2045.95	5.30	7.42	16.31	34.89	949.91
25 Electronic & Elect Equip(37)	1941.35	+0.6	1930.38	1941.05	1941.75	1969.43	3.76	6.88	17.34	6.02	962.35
26 Engineering(72)	1777.96	.....	1776.14	1787.99	1783.53	1905.49	3.46	6.26	19.26	15.05	1033.73
27 Engineering, Vehicles(13)	2156.61	+0.7	2141.32	2164.55	2165.86	2225.48	4.23	3.38	36.83	27.93	1069.58
28 Paper, Pckg & Printing(27)	2746.81	+0.2	2741.43	2751.30	2759.74	2878.43	3.47	7.68	15.67	34.06	1101.09
29 Textiles & Apparel(21)	1512.19	+1.4	1491.59	1499.03	1489.55	1755.44	4.62	7.03	18.48	8.40	870.84
30 CONSUMER GOODS(94)	2963.14	+0.5	2948.93	2969.23	2972.53	2703.03	4.37	6.64	18.49	44.10	1045.86
31 Breweries(18)	2210.25	+0.7	2195.54	2195.32	2191.59	2196.80	4.34	8.35	14.43	11.98	1012.62
32 Spirits, Wines & Ciders(10)	2697.02	+1.5	2657.45	2683.28	2697.95	2868.98	4.30	7.81	15.87	26.30	920.88
33 Food Producers(24)	2409.80	+0.2	2405.79	2400.94	2407.34	2272.03	4.18	7.76	15.60	39.56	1042.54
34 Household Goods(10)	2453.65	-0.7	2469.93	2490.10	2505.26	2563.64	3.75	3.25	38.53	46.86	905.83
36 Health Care(16)	1681.54	+1.1	1663.07	1668.99	1661.80	1734.42	3.08	3.49	39.13	7.46	986.52
37 Pharmaceuticals(12)	3723.97	+0.3	3712.60	3752.11	3745.89	2630.88	4.16	4.21	29.03	49.21	1211.21
38 Tobacco(2)	3649.37	-0.1	3654.43	3703.10	3716.62	3758.31	6.21	11.23	11.12	131.29	863.72
40 SERVICES(230)	1909.56	+0.4	1902.79	1912.06	1909.58	2024.29	3.39	7.01	17.49	10.94	952.00
41 Distributors(32)	2307.52	+1.1	2282.47	2282.65	2296.23	2962.56	4.11	7.85	15.79	16.56	812.16
42 Leisure & Hotels(29)	2125.60	+0.2	2120.33	2135.34	2121.37	2197.39	3.60	5.36	22.55	28.21	1068.38
43 Media(43)	2812.20	+0.5	2797.18	2817.86	2816.43	3110.55	2.74	6.12	20.18	21.71	986.90
44 Retailers, Food(16)	1850.84	+1.4	1826.07	1837.86	1842.81	1607.88	3.57	8.78	13.95	2.88	1118.78
45 Retailers, General(44)	1609.23	.....	1609.90	1620.36	1615.12	1709.02	3.39	7.22	17.17	6.78	879.70
48 Support Services(38)	1470.48	-0.4	1476.74	1483.78	1469.34	1650.81	2.96	7.09	17.07	5.09	903.75
49 Transport(21)	2211.47	.....	2211.62	2208.76	2211.30	2537.82	3.88	7.22	16.70	7.97	876.71
51 Other Services & Business(7)	1186.34	+0.1	1184.58	1181.97	1179.75	1181.02	3.60	4.80	28.04	8.17	1037.27
60 UTILITIES(37)	2259.75	+0.5	2248.65	2259.58	2260.39	2377.28	4.81	9.25	12.82	6.65	890.35
62 Electricity(17)	2085.79	-0.3	2092.05	2100.15	2105.92	2325.21	4.90	12.48	9.58	19.89	892.62
64 Gas Distribution(2)	1919.51	+0.6	1908.31	1929.46	1939.08	2023.10	6.24	7.20	17.37	0.00	901.58
66 Telecommunications(5)	2017.01	+1.1	1995.10	2005.47	1992.71	2047.82	4.05	6.67	16.26	0.13	875.44
68 Water(13)	1758.67	.....	1758.80	1757.20	1780.62	1868.96	5.69	13.61	8.02	4.62	896.77
69 NON-FINANCIALS(664)	1659.20	+0.4	1652.49	1661.19	1661.98	1690.24	4.12	7.15	17.04	16.94	1197.42
70 FINANCIALS(118)	2225.89	+0.2	2220.76	2232.20	2236.99	2229.31	4.75	10.17	11.74	52.99	910.73
71 Banks, Retail(9)	2963.73	+0.5	2947.66	2984.76	2989.79	2829.51	4.63	12.00	9.73	86.03	919.88
72 Banks, Merchant(6)	3075.22	-0.2	3081.13	3079.90	3097.87	2979.48	3.76	9.10	13.33	26.82	842.84
73 Insurance(26)	1227.84	-0.6	1234.93	1251.04	1243.94	1339.17	5.77	10.03	12.72	33.02	872.86
74 Life Assurance(6)	2492.79	-0.6	2508.95	2507.14	2558.73	2475.89	5.41	7.15	17.43	78.15	995.10
77 Other Financial(23)	1911.00	+0.3	1905.44	1909.49	1901.54	1939.23	4.00	8.54	13.91	16.03	1041.43
79 Property(46)	1375.11	+0.4	1369.11	1370.24	1370.85	1571.32	4.41	5.30	23.72	4.58	800.55
80 INVESTMENT TRUSTS(133)	2610.99	-0.2	2616.93	2619.97	2614.01	2811.07	2.44	1.98	60.59	18.32	888.43
89 FT-SE-A ALL-SHARE(915)	1538.43	+0.4	1533.00	1540.81	1541.81	1566.15	4.16	7.45	16.25	18.90	1237.68
FT-SE-A Fledgling	955.59	-0.1	956.24	956.41	954.21	-	3.09	-	-	6.54	962.05
FT-SE-A Fledgling ex Inv Trusts	952.73	-0.1	953.35	953.63	951.87	-	3.27	-	-	6.70	959.33

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3125.3	3112.7	3116.7	3120.3	3129.7	3127.0	3126.7	3128.3	3140.4	3142.3	3111.3
FT-SE Mid 250	3414.3	3412.4	3412.0	3412.8	3415.7	3418.0	3418.4	3418.4	3421.2	3421.8	3411.0
FT-SE-A 350	1551.4	1546.4	1547.9	1549.3	1553.2	1552.4	1552.4	1553.0	1558.0	1558.7	1545.7

Time of FT-SE 100 Day's high: 4.28pm Day's low: 9.21am. FT-SE 100 1994 High: 3520.3(2/2/94) Low: 2876.6(24/6/94).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	938.7	939.0	944.3	945.3	945.6	945.6	945.6	945.9	948.2	948.2	939.9	+8.3
Pharmaceuticls	3688.9	3670.5	3675.0	3682.6	3686.0	3676.6	3675.8	3677.9	3691.8	3694.8	3683.5	+11.3
Water	1745.8	1744.9	1744.4	1744.4	1743.4	1747.3	1748.6	1748.5	1750.5	1751.1	1751.2	-0.1
Banks, Retail	2983.0	2987.6	2976.0	2980.5	2988.1	2991.1	2989.9	2987.4	2999.5	3001.6	2985.3	+16.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL.
The FT "500" has been renamed FT-SE-A Non-Financials Index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.
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TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	1,800	351	-3½
ASDA Group†	6,400	74	
Abbey National†	5,600	470	+10
Albert Fisher	943	42	
Allied Domecq†	2,600	533	+7
Anglian Water	234	465	+3
Argos	2,000	388	-2
Argyll Group†	3,500	282½	+5½
Arjo Wiggins†	5,200	244	-2
Assoc. Brit. Foods†	1,100	613	+8
Assoc. Brit. Ports	2,000	284	-5
BAA†	3,400	472	-2
BAT Inds.†	5,700	435	
BET	6,300	100½	-1
BICC	1,300	333	+1
BOC†	1,300	696	+2
BP†	16,000	429½	+5½
BPB Inds.	1,300	281	
BT†	10,000	394	+7
BTR†	10,000	326	+2
Bank of Scotland†	3,400	219	+1
Barclays†	5,700	619	+3
Bass†	3,300	536	+6
Blue Circle†	5,200	294	+10
Booker	358	402	-2
Boots†	3,300	511	-3
Bowater†	1,700	440	+6
Brit. Aerospace†	1,400	488	-1
British Airways†	4,800	398	
British Gas†	7,500	289½	+1½
British Land	5,500	380	+1
British Steel†	8,000	155½	+1
Bunzl	1,800	173	+½
Burmah Castrol†	812	865	+3
Burton	3,800	77	-½
Cable & Wire†	4,700	381	+1
Cadbury Schweppes†	4,700	451	-2
Caradon†	5,500	260	+4
Carlton Comms.†	1,500	911	+7
Coats Viyella	5,600	195½	+5½
Comm. Union†	6,300	548	-2
Cookson	2,600	203	-1
Courtaulds†	1,200	435	-9
Dalgety	723	429	+5
De La Rue†	1,600	875	+5
Dixons	3,100	225	-8
Eastern Elect.†	370	573	-4
East Midland Elect.	3,300	611	-4
Electrocomps	434	524	+11
Eng China Clays	2,400	358	+1
Enterprise Oil†	538	389	+2
Eurotunnel Units	525	248	+2
FKI	5,300	153	-1
Fisons	10,000	180	+7½
Foreign & Col. I.T.	1,000	133	-¼
Forte†	7,000	231	-3
Gen. Accident†	1,300	579	-5
General Elect.†	5,300	293½	+2
Glaxo†	10,000	710	+3
Glynwed	598	305	+1
Granada†	3,500	547	+8
Grand Met.†	6,800	391	
GUS†	2,000	560	+2
GRE†	5,800	184	-3
GKN†	3,300	614	+3
Guinness†	5,700	460	+14
HSBC (75p shs)†	5,000	724	+9
Hammerson	580	328	+7
Hanson†	9,400	232	-2½
Harrisons Crosfield	10,000	156	+4
Hays	2,500	391	-3½
Hillsdown	1,100	185	-1
IMI	126	303	
ICI†	2,000	740	+7
Inchcape†	4,100	296	+7
Johnson Matthey	60	520	
Kingfisher†	1,600	481	+8
Kwik Save	1,300	555	+14
Ladbroke†	9,000	165½	-½
Land Securities†	1,700	591	+1
Laporte	1,300	680	-10
Legal & General†	3,200	472	+2
Lloyds Abbey	2,500	388	-2
Lloyds Bank†	5,600	599	-6
LASMO	4,700	165	
London Elect.	395	600	-3
Lonrho	1,900	148½	+1
Lucas	1,600	195	+1
MEPC†	312	390	+2
MFI	3,300	118½	-1½
Manweb	187	647	-3
Marks & Spencer†	7,500	418½	+1½
Midlands Elect.	493	598	-1
Morrison (Wm.)	365	137	+2
NFC	1,800	165½	-1½
NatWest Bank†	7,500	531	+7
National Power†	3,600	424	-1
Next	11,000	280	-7
North West Water†	1,400	528	+1
Northern Elect.	154	729	+4
Northern Foods	4,100	186	
Norweb	244	623	-1
Pearson†	2,800	553	-10
P & O†	2,200	582	
Pilkington	2,300	184	-4
PowerGen†	2,800	465	-2
Prudential†	8,000	315	-3½
RMC†	1,200	1011	+15
RTZ†	3,700	782	+2
Racal	943	235	
Rank Org.†	1,600	399	-1
Reckitt & Colman†	1,300	622	-6
Redland†	2,800	467	+12
Reed Intl.†	4,300	774½	+4½
Rentokil†	2,400	247	-1
Reuters†	5,300	482	-6
Rolls Royce†	8,200	161	
Ryl Bk Scotland†	3,200	410	-1
Royal Insurance†	5,300	283	-5
Sainsbury†	4,200	435	+3
Schroders†	48	1515	+2
Scottish & New.†	1,600	514	+4
Scot. Hydro-Elec.	1,400	309	
Scottish Power†	2,500	325	
Sears†	8,100	104½	-1½
Sedgwick	3,300	150	-1
Seeboard	2,200	350	-3
Severn Trent†	389	506	-1
Shell Transport†	10,000	703	
Siebe†	2,000	551	-3
Slough Ests	497	220	+1
Smith (W.H.)	1,600	417	+1
Smith & Nephew†	7,600	169½	+1
SmKl Beecham†	6,000	502	+2
SmKl Beecham Uts.†	7,300	465	-1½
Smiths Inds.	1,700	456	
Southern Elect.†	463	603	-3
South Wales Elec.	654	643	-1
South West Water	37	469	
South West. Elect.	791	625	-5
Southern Water	3,800	558	+2
Standard Chartd.†	3,000	282½	-1½
Storehouse	2,500	228	-1
Sun Alliance†	6,000	326	
T&N	962	151	
TI Group†	2,900	368	+6
TSB†	5,800	238	+1
Tarmac	1,300	111½	+1½
Tate & Lyle†	1,100	439	-3
Taylor Woodrow	1,100	116	+½
TeleWest	584	170	+1
Tesco†	9,800	264½	+5½
Thames Water†	1,100	480	-5
Thorn EMI†	2,300	1077	+12
Tomkins†	7,500	238½	+3½
Trafalgar House	4,700	57	-1
Unigate	168	376	
Unilever†	2,000	1216	+4
United Biscuits†	1,500	333	+1
Utd. Newspapers	1,500	508	-2
Vodafone†	9,400	225	-1
Warburg (SG)†	649	722	-7
Welsh Water	481	605	+5
Wessex Water	1,500	274	-3
Whitbread†	1,500	550	-1
Williams Hldgs.†	2,200	327	+1
Willis Corroon	1,400	140	+2
Wimpey	539	128	
Wolseley†	2,900	365	
Yorkshire Elect.	1,300	614	-8
Yorkshire Water	460	515	+2
Zeneca†	4,000	880	

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

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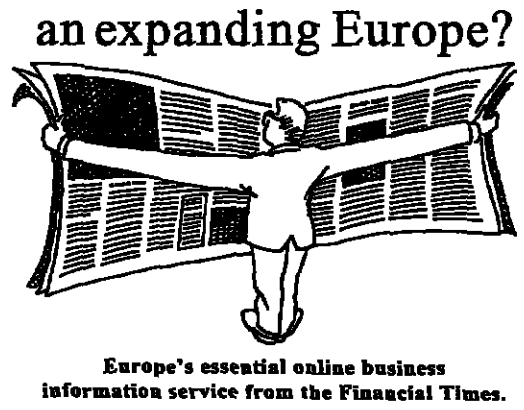

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WORLD STOCK MARKETS

INDICES

	Mar 29	Mar 28	Mar 27	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	13601.45	13674.84	13499.07	25470.40	18/2/94	9831.09	9/3/95
Australia							
All Ordinaries(1/1/80)	1893.0	1899.7	1908.8	2340.60	3/2/94	1823.38	8/2/95
All Mining(1/1/80)	821.2	825.7	834.1	1136.10	3/2/94	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	355.01	356.00	359.73	480.66	2/2/94	355.01	29/3/95
Traded Index(2/1/91)	950.36	951.74	963.37	1222.25	1/2/94	950.36	29/3/95
Belgium							
BEL20 (1/1/91)	1292.49	1292.03	1297.95	1542.65	9/2/94	1271.53	9/3/95
Brazil							
Bovespa (29/12/83)	31982.0	32558.0	33723.0	55110.09	13/9/94	3600.90	3/1/94
Canada							
Metals Mints◆(1975)	(u)	4116.09	4108.94	4326.07	18/1/95	3299.06	20/4/94
Composite◆ (1975)	(u)	4299.70	4307.10	4609.80	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	(u)	2129.82	2137.46	2182.59	1/2/94	1868.48	28/6/94
Chile							
IPGA Gen (31/12/80)	5301.0	5297.2	5304.8	6754.40	21/11/94	3901.20	4/4/94
Denmark							
CopenhagenSE(3/1/83)	330.01	335.61	337.57	416.79	2/2/94	330.01	29/3/95
Finland							
HEX General(28/12/90)	1555.3	1587.5	1606.7	1972.00	4/2/94	1555.30	29/3/95
France							
SBF 250 (31/12/90)	1216.31	1210.90	1210.94	1585.20	2/2/94	1154.41	13/3/95
CAC 40(31/12/87)	1852.42	1837.19	1836.10	2355.93	2/2/94	1721.80	13/3/95
Germany							
FAZ Aktien(31/12/58)	710.97	715.02	723.52	859.27	18/5/94	710.97	29/3/95
Commerzbank(1/12/53)	2027.5	2037.0	2060.7	2465.50	2/5/94	2027.50	29/3/95
DAX (30/12/87)‡	1918.88	1910.96	1946.90	2271.11	16/5/94	1910.96	28/3/95
Greece							
Athens SE(31/12/80)	795.35	800.62	803.63	1194.58	18/1/94	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	8732.75	8827.93	8687.54	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3292.34	3317.01	3299.19	4628.57	12/9/94	3233.31	22/2/95
Indonesia							
Jakarta Comp.(10/8/82)	428.92	428.08	423.59	612.89	5/1/94	422.13	24/3/95
Ireland							
ISEQ Overall(4/1/88)	1827.28	1836.64	1843.57	2082.16	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	600.38	604.95	604.12	817.17	10/5/94	581.84	13/12/94
MIB General (2/1/85)	948.0	958.0	954.0	1318.00	10/5/94	929.00	23/3/95
Japan							
Nikkei 225 (16/5/49)	16460.73	16881.73	16096.25	21552.81	13/6/94	15749.77	24/3/95
Nikkei 300 (1/10/82)	243.36	245.35	233.14	311.71	13/6/94	228.05	24/3/95

	Mar 29	Mar 28	Mar 27	1994/5 High		1994/5 Low	
Japan							
Topix (4/1/68)	1313.09	1324.84	1265.79	1712.73	13/6/94	1239.67	24/3/95
2nd Section (4/1/68)	1703.06	1681.45	1624.43	2542.85	6/7/94	1601.53	24/3/95
Malaysia							
KLSE Comp.(4/4/86)	987.71	964.75	952.74	1314.46	5/1/94	840.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	1832.66	1822.45	2881.17	8/2/94	1447.52	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	425.1	424.9	425.3	454.90	31/1/94	406.30	21/6/94
CBS All Shr (End 83)	266.7	266.5	267.4	294.80	31/1/94	257.80	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1993.17	1991.46	1957.59	2439.54	3/2/94	1878.09	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1049.90	1055.25	1061.12	1211.10	28/2/94	980.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2340.56	2288.76	2248.39	3308.37	4/1/94	2248.39	27/3/95
Portugal							
BTA (1977)	2719.5	2722.7	2717.9	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	507.40	503.06	498.45	641.81	4/1/94	472.90	23/1/95
South Africa							
JSE Gold (28/9/78)	1378.8♥	1357.9	1357.8	2534.00	7/9/94	1357.80	27/3/95
JSE Indl. (28/9/78)	6607.4♥	6619.2	6600.0	6984.40	30/12/94	5446.80	19/1/94
South Korea							
KoreaCmpEx(4/1/80)**	936.44	947.90	953.84	1138.75	8/11/94	855.37	2/4/94
Spain							
Madrid SE (30/12/85)	264.23	265.71	267.08	358.31	31/1/94	264.08	23/3/95
Sweden							
AffarsvarldnGen (1/2/37)	1439.8	1456.8	1464.5	1603.90	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1188.82	1191.78	1201.08	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	880.40	882.36	887.70	1093.29	31/1/94	870.58	13/3/95
Taiwan							
WeightedPr.(30/6/66)**	(c)	6464.76	6470.28	7191.13	1/11/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1229.70	1211.57	1199.72	1753.73	4/1/94	1135.69	16/3/95
Turkey							
Istanbul Cmp.(Jan 1986)	3779.29	36688.8	37397.4	37397.40	27/3/95	3779.29	29/3/95
WORLD							
MS Capital Int (1/1/70)§	640.0*	638.1	630.0	649.90	2/11/94	591.80	1/11/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1236.95	1242.45	1254.68	1540.19	31/1/94	1222.41	13/3/95
Euro Top-100 (26/6/90)	1142.77	1143.27	1151.14	1311.01	2/2/94	1117.34	9/3/95
JCapelDrgns (31/12/88)	(u)	309.34	305.60	385.19	5/1/94	261.46	23/1/95
Barings Emerg.(7/1/92)	134.18	133.65	131.75	191.79	26/9/94	117.15	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40							
Mar	1824.0	1853.0	+15.0	1854.0	1819.0	30,857	21,106
Apr	1832.0	1863.5	+15.5	1865.0	1829.5	13,558	17,001
DAX							
Jun	1901.00	1930.00	+7.0	1932.0	1899.0	21,578	106,846
Sep	1920.50	1953.50	+2.5	1955.0	1905.0	40	1,796
OMX							
Apr	1123.00	1114.00	-13.21	1123.00	1114.00	6,943	21,487
May	1106.00	1106.00	-	1106.00	1106.00	20	300
SOFFEX							
Apr	2577.9	2501.0	-4.0	2501.0	2466.5	5,849	18,845
Jun	-	2469.0	-	-	-	10	6

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Jun	507.25	508.90	-0.50	507.35	506.60	61,675	188,354
Sep	511.25	511.25	-0.40	511.30	511.25	1,770	7,752
Nikkei 225							
Jun	16730.0	16510.0	-170.0	16730.0	16450.0	21,658	115,133
Sep	16800.0	16600.0	+80.0	16600.0	16600.0	11	17

Open interest figures for previous day.

— Sat Mar 25: Taiwan Weighted Price 6401.38; Korea Comp Ex 956.51. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 29 - 1918.85 +7.15.

US INDICES

Dow Jones	Mar 28	Mar 27	Mar 24	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	4151.81	4157.34	4138.67	4157.34 (27/3/95)	3593.35 (4/4/94)	4157.34 (27/3/95)	41.22 (2/7/32)
Home Bonds	97.72	98.06	97.86	105.61 (21/1/94)	93.56 (30/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1631.79	1628.06	1581.02	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	186.73	188.16	188.51	227.86 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4176.02 (4177.40) Low 4120.68 (4113.08) (Theoretical◆)
Day's high 4156.65 (4157.34) Low 4137.63 (4132.10) (Actual◆)

Standard and Poors	Mar 28	Mar 27	Mar 24	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	503.90	503.20	500.97	503.90 (28/3/95)	438.92 (4/4/94)	503.90 (28/3/95)	4.40 (1/6/32)
Industrials♥	599.98	598.91	596.92	599.98 (28/3/95)	510.05 (21/4/94)	599.98 (28/3/95)	3.62 (21/6/32)
Financial	46.71	46.68	46.15	48.94 (14/6/94)	39.87 (22/11/94)	48.48 (28/8/93)	8.64 (1/10/74)
NYSE Comp.	271.92	271.72	270.50	271.92 (28/3/95)	243.14 (4/4/94)	271.92 (28/3/95)	4.46 (25/4/42)
Amex Mkt Val	461.52	461.18	460.90	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	826.14	822.63	818.66	826.14 (28/3/95)	693.79 (24/6/94)	826.14 (28/3/95)	54.87 (31/10/72)

■ RATIOS

	Mar 24	Mar 17	Mar 10	Year ago
Dow Jones Ind. Div. Yield	2.65	2.69	2.70	2.70
	Mar 22	Mar 15	Mar 8	Year ago
S & P Ind. Div. yield	2.33	2.33	2.36	2.44
S & P Ind. P/E ratio	17.60	17.60	17.32	26.62

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
RJR Nabisco	10,157,700	6	-⅛
Limited	7,548,100	22½	+2½
Chrysler	6,811,400	39⅛	+½
Telefonos	6,064,500	28¾	-¾
Wal-Mart	5,678,100	24¼	+⅜
Micron	4,082,300	84½	+4¼
Am Express	3,657,250	34¼	-⅛
Motorola	3,621,300	56⅝	+½
Compaq	2,955,400	35	+⅛
WMX Tech	2,705,000	27	+¼

■ TRADING ACTIVITY

● Volume (million)	Mar 28	Mar 27	Mar 24
New York SE	320.397	298.461	357.885
Amex	16.560	15.769	18.337
NASDAQ	316.707	288.654	367.472
NYSE			
Issues Traded	2,940	2,851	2,953
Rises	1,093	1,343	1,625
Falls	1,095	808	627
Unchanged	752	800	701
New Highs	103	117	114
New Lows	22	18	25

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, March 29, 1995

	Stocks Traded	Closing Prices	Change on day
Bank of Tokyo	7.4m	1450	+50
Nippon Steel	5.5m	332	
Daiwa Secs	4.7m	1020	-30
Hitachi	3.4m	880	+10
Mitsubishi Hvy	3.3m	613	-6
NEC Corp	3.2m	820	
Nomura Secs	2.7m	1840	-90
Matsushita	2.6m	1370	+20
Komatsu	2.4m	816	-20
Mitsubishi Bank	2.3m	2050	-100

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3:30 pm March 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14¼	12⅝	AAR	0.48	3.8	21	16	12¾	d12⅝	12⅝	
23⅛	19¼	ALPharmaA	0.18	0.8	281	169	22¾	22½	22½	-½
38¼	35	AMP	0.92	2.5	21	3465	37¼	36⅞	37	+⅛
65⅝	53⅞	AMR			28	5972	65	64¼	64¾	-½
47⅞	41⅞	ASA	1.71	3.7	30	1074	46⅝	45⅞	46	-⅛
38⅞	30¾	AbbotL	0.84	2.3	19	7687	37⅝	36⅝	36¾	-⅝
14½	12	Abitibi Pr	0.50	3.6	12	2706	14⅛	13⅞	14	-¼
24⅞	22	ABM Ind	0.60	2.6	13	42	22¾	22⅝	22¾	
16⅝	14¼	Acptncein			8	276	15	14⅝	14⅝	-⅜
25⅞	21⅞	ACE Ltd	0.44	1.8	8	267	25⅛	24⅝	25⅛	+¾
9¾	8⅛	ACM Gvt In x	0.90	11.1	7	273	8⅜	d8⅛	8⅛	-¼
7½	6½	ACM GvOpp x	0.66	9.8		38	6⅞	6¾	6¾	-⅛
7½	5¾	ACM Gvt Sp x	0.75	12.2		105	6¼	6⅛	6⅛	
8⅝	7⅜	ACM Gvt Se x	0.90	11.8		330	7⅝	7½	7⅝	
8½	7⅝	ACM Man x	1.08	13.9		123	7⅞	7¾	7¾	
7⅝	7⅛	ACM Managd	0.72	10.1		18	7⅛	d7⅛	7⅛	
17	10¼	AcmeCltv	0.48	3.0	9	112	16⅝	16	16⅛	-½
27½	12⅞	Acme Elect			21	338	19⅝	18⅝	18⅞	+⅛
34½	31⅞	Acordia	0.72	2.2	16	27	32¼	32⅛	32⅛	
11⅜	8⅝	Actava	0.36	3.7	7	432	9⅞	9⅝	9⅝	-¼
16¾	11⅝	Acuson			19	635	11⅞	11¾	11⅞	
16⅝	15⅝	Adams Expr	0.36	2.2	0	85	16½	16⅜	16⅜	
68½	53	Ad Micro	3.00	4.5		66	66	66	66	

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NYSE COMPOSITE PRICES

3:30 pm March 29

Continued from previous page

NASDAQ NATIONAL MARKET

3:15 pm March 29

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
ABS Inds	0.20	10	z100	11½	d11½	11½	-½
ACC Corp	0.12	10	1479	16½	15¾	16⅛	-¼
Acclaim E		14	3057	15⅞	15⅝	15⅞	+⅜
Acme Metc		7	846	17½	16¾	17	+¼
Acxiom Cp		24	364	16¼	16	16¼	
Adaptech		22	7244	36¼	33⅝	34⅞	-1
ADC Tele		46	7357	u34¼	32¾	33	-½
Addington		20	574	9¾	9¼	9⅜	-⅛
AdiaADR	0.16	10	546	22 7/16	22⅜	22⅜	+½
Adobe Sys	0.20	10	22759	51.02	47¾	48⅜	-1⅞
Advance C		10	1494	15⅛	14⅜	14½	-⅛
Adv Logic		450	225	4⅝	4⅜	4½	-⅛
Adv Polym		6	261	4 11/32	4 9/32	4⅜	-1/32
AdvTchLab		9	24	15	14½	15	+¼
Advanta	0.27	12	752	33¼	32¾	33	-¼
AgnicoEa	0.10	42	153	u11⅝	11⅜	11½	+¼
AirExpr	0.16	18	856	23½	22¾	23½	+⅜
Akzo ADR	1.76	14	33	55⅜	55	55¼	
AlexBld	0.88	14	1235	23½	22¾	23	+¼
Allegh &W		13	14	11⅜	11⅜	11⅜	
Allen Org	0.52	12	z100	40	40	40	
Altan Ph		3	599	5⅞	5½	5⅝	+⅛
AlldCapII	1.00	12	17	14⅛	14⅛	14⅛	
Alld Cap	0.80	10	47	12¼	11¾	12¼	+½
Aloette C	0.32	10	3	1¾	1¾	1¾	+⅛
Alta Gold	0.06	50	150	1⅛	1	1	-3/32

AMEX COMPOSITE PRICES

3:15 pm March 29

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aMERICA

Equities climb further on homes data decline

Wall Street

Another sign that the economy might slow to a sustainable rate without another round of tightening from the Federal reserve sent US shares soaring yesterday morning, *writes Lisa Bransten in New York.*

In the late morning, the Dow Jones Industrial Average came within 1.2 points of pushing through the 4,200 level, before retreating modestly to be 43.57 higher at 4,195.38 by noon. The Standard & Poor's 500 was up 3.80 at 507.70 and the American Stock Exchange composite gained 1.16 at 462.68. The Nasdaq composite was up 1.89 at 828.03. NYSE volume was 182m shares.

The session started on a tentative note as a weak dollar and other worries sent the bond market into negative territory. But bond prices jumped at mid-morning after the commerce department released figures showing sales of single-family homes down 14 per cent in February, the largest decrease since April 1992.

Both bonds and equities proved unhindered by a dollar that fell against the D-Mark and the Japanese yen.

Although most economists had expected the Fed to leave interest rate policy steady after Tuesday's meeting of its Open Market Committee, many still held that the central bank would tighten monetary policy at least once more this year. Signs that the economy might slow without another rate increase cheered many investors yesterday. Interest rate increases are generally bad for the equity market because they make corporate borrowing expensive and deter consumer spending.

Among the major beneficiaries of the market's jump were cyclical issues. Morgan Stanley's index of those shares gained nearly 1.5 per cent, while the counterpart index of consumer shares rose only 0.3 per cent. Rising cyclicals included Eaton, the electronics company, up $2¼ at $52⅞, Parker-Hannifin, which makes military and industrial motion control systems, was up $1 at $44⅝. Kennametal, which makes carbide products, $1¼ at $27⅞.

Dow Chemical rose $1 at $72⅞. A contributory factor was a ruling on Tuesday which, said the company, had eliminated the chance that it might be liable for damages levelled against Dow Corning in the breast-implant trial.

Clark Equipment surged more than 53 per cent, its shares rising $28¼ to $81⅞ after Ingersoll-Rand said it would attempt a hostile takeover after its offer to buy Clark for $75 to $77 a share was rejected. Shares in Ingersoll-Rand were off $⅝ at $31¾.

Caterpillar jumped $3¼ at $55¼ after an analyst at Morgan Stanley revised his recommendation to "strong buy" from "outperform".

Micron Technology gave back some of its recent gains yesterday after setting a 52-week high on Tuesday. Shares in the technology company were $3¼ lower at $81¼.

Exide, which makes automobile batteries, added a drop of $6¾ to Tuesday's $6⅞, bringing shares to $36 before trading was halted. The company said it expected a loss of $13m to $17m in the fourth quarter. At noon the indicative price for the shares was $30 to $33.

Canada

Toronto traded in a narrow range with the market's main indices at midsession showing no obvious inclination to follow the upbeat lead set by Wall Street. Dealers said that sentiment remained unsettled by Tuesday's profits warning from the telecommunications giant Bell Canada.

The subdued nature of the morning session showed through in the performance of the leading indices. The TSE 300 index was modestly higher, up 1.18 at 4,300.90, with the gold and precious metals index lagging slightly behind at 9,671.03, down 2.40.

SOUTH AFRICA

Johannesburg gold shares ended higher but off their best levels as support reappeared following recent declines. Industrials, however, struggled for direction after world markets eased and on a general lack of interest.

The overall index was 1.3 softer at 5,211.1, industrials lost 11.8 at 6,607.4 and golds improved 20.9 to 1,378.8.

Health and Racquet Club climbed 5 cents to 85 cents after announcing improved earnings for the year and a 4.5 cents maiden dividend.

Brazil awaits consumption curbs

Brazil shares edged ahead in light midday trade as investors awaited a government announcement of new measures to restrict consumption. The Bovespa index was 157 higher at 32,715 at 1 pm but turnover was a low R$128.6m ($141.9m).

The country's National Monetary Council was meeting yesterday to discuss whether the government would adopt measures to curb consumption and slow the rate of economic growth. Analysts also expected that the government would tighten bank reserve requirements to squeeze consumer credit even further.

Telebras preferred rose 1.9 per cent to R$26.80, while Electrobras preferred was traded up 1 per cent to R$199.

MEXICO CITY eased in light morning trade as profit-taking set in after the recent strong gains, which saw the market 15 per cent higher over five sessions. The IPC index was 7.30 down at 1,825.36 by late morning in active volume of 3.6m shares. Grupo Mexicano de Desarrollo B shares led the slide, dropping 6.1 per cent.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Mar. 24 1995	% Change over week	% Change on Dec '94	Local currency terms Mar. 24 1995	% Change over week	% Change on Dec '94
Latin America	(257)	403.46	+8.3	-30.5			
Argentina	(30)	601.81	+4.0	-18.0	369,136.53	+4.0	-18.1
Brazil	(72)	282.71	+8.9	-26.5	960.52	+10.5	-21.2
Chile	(36)	733.00	+4.9	-6.5	1,202.26	+4.9	-4.6
Colombia[1]	(16)	761.47	-3.1	-6.2	1,172.04	-2.5	-1.9
Mexico	(71)	326.93	+15.1	-46.2	987.98	+7.2	-25.0
Peru[2]	(20)	150.15	+3.1	-15.8	207.18	+3.4	-12.9
Venezuela[3]	(12)	400.84	-0.5	-19.0	1,564.52	-0.5	-19.1
Asia	(659)	230.83	-1.4	-7.5			
China[4]	(20)	69.43	+0.9	-8.5	73.94	+0.9	-8.7
South Korea[5]	(159)	134.22	+1.5	-1.9	135.97	+0.8	-4.1
Philippines	(25)	230.48	-4.8	-22.7	288.38	-4.1	-17.9
Taiwan, China[6]	(93)	148.56	-2.4	-9.6	144.99	-2.5	-10.6
India[7]	(103)	101.12	-2.7	-18.1	113.53	-2.2	-17.5
Indonesia[8]	(42)	90.51	-0.8	-9.3	109.71	-0.6	-7.9
Malaysia	(114)	262.63	-1.4	-2.3	246.86	-1.6	-2.8
Pakistan[9]	(36)	283.45	-5.2	-22.6	397.11	-5.2	-22.4
Sri Lanka[10]	(19)	142.68	-3.0	-17.0	152.94	-3.6	-17.5
Thailand	(68)	358.82	+1.5	-6.5	351.72	+1.4	-8.0
Euro/Mid East	(147)	124.16	+1.7	+4.8			
Greece	(40)	222.17	+0.6	-1.5	348.31	+2.5	-5.3
Hungary[11]	(5)	113.69	-4.2	-25.1	163.13	-2.5	-21.0
Jordan	(8)	154.22	-0.8	+2.8	223.79	-0.5	+0.7
Poland[12]	(16)	353.41	-6.1	-24.7	523.95	-5.4	-27.2
Portugal	(29)	122.65	-1.0	+1.3	125.34	+0.1	-5.4
Turkey[13]	(44)	141.19	+4.6	+16.0	2,793.87	+5.2	+26.3
Zimbabwe[14]	(5)	217.15	+0.2	-11.2	268.45	+1.0	-10.9
Composite	(1063)	250.79	+2.2	-16.6			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are. (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)June 2 1993

Kuala Lumpur showed every sign of limbering up for a pre-election rally yesterday, with share prices moving ahead strongly for the second day running and trading volume surging to some four times the recent average, writes Jeffrey Brown.

Investors plunged in heavily following a favourable report from the central bank, and rising shares swamped falls by around five to one. The KLSE composite index closed 22.96 higher at 987.71 for a two-day advance of 3.7 per cent.

Worries about Malaysia's trading deficit had been building for some time, but the Bank Negara report weighed in with a current account deficit of M$11.6bn against the market's worst fears of up to M$17bn. The KLSE composite is now 15 per cent above its low of late January and well within sight of the psychological 1,000 mark. Analysts feel that the way is now clear for an early election, possibly next month or in May.

EUROPE

VW, Conti advance as Renault retreats

There were contrasts in carmakers yesterday, *writes Our Markets Staff*, the sector weakening in Paris on further consideration of the Renault results, and gaining in Frankfurt as Volkswagen produced better earnings than expected.

General sentiment was subdued ahead of today's Bundesbank meeting. Mr Reinhard Fischer at Research Vision said that the German authorities, given the climb in the D-Mark and its obvious effect on the German corporate economy, might be moved to signal, say, a move from a fixed 4.85 per cent repo rate next week to something lower, but more flexible.

FRANKFURT bounced off a new intraday low of 1,891.71 to close the session at 1,918.88, and the post bourse 7.15 higher on the day at 1,918.85, in turnover of DM7.6bn.

Volkswagen put up DVFA earnings of DM9.50 a share, against forecasts of zero to DM3, and the stock rose DM7.90 to DM346.90. Mr Roderick Hinkel, German strategist at Paribas Capital Markets, said that 1995 forecasts for VW had been heavily downgraded recently, but that they might be revised after these figures.

News from Deutsche Bank and BASF had little effect on share prices. But following Michelin's gains in Paris on Tuesday, Continental rose another DM4 to DM196 as it followed the French company's price rise plans with original equipment and replacement tyre mark-up plans of its own.

PARIS moved ahead steadily, with individual features again dominating the run of play and something of a technical squeeze building up ahead of tomorrow's expiry of the CAC-40 March futures contract.

At the close the CAC-40 index was 15.23 higher at 1,852.43. Volume was on the low side and the index showed little movement through most of the morning session, moving up towards the close as futures factors took hold.

Renault shares fell steeply as analysts got to grips with the small print in the motor giant's results statement. At the close of trading on Tuesday Renault announced better than expected net profits, but by yesterday traders had homed in on weak operatings profits in the passenger car division.

A number of investment houses downgraded their 1995 earnings estimates and Renault shares closed FFr9.20 lower at FFr164, reversing the previous day's FFr2.70 rise. The shock waves washed over into Peugeot, which dipped FFr9 to FFr643.

ZURICH finished flat, having picked up from midday lows, responding to Frankfurt's steadier tone and deriving some support from the dollar's recovery from record lows against the Swiss franc during the morning.

The SMI index was just 0.6 down at 2,495.0, after a day's low of 2,462.4.

Swissair, expected to report 1994 results today, declined SFr6 to SFr650 on uncertainty about the dispute with its pilots and concern about its talks with Sabena.

Ciba picked up SFr4 to SFr754 in further response to Tuesday's results, while Roche certificates continued their rebound, appreciating SFr25 to SFr6,490.

Nestlé, suffering downgrades by local brokers, fell another SFr13 to SFr1,087 on further worries about the effect of the strong Swiss franc on this year's earnings.

MILAN finished weaker but off its lows, with business subdued by lira and bond market declines, and by signs that the pension reform process faced further delays. The Comit index eased 4.57 to 600.38, the latest results from the banking sector, including Credito Italiano's lower than expected 1994 result, adding to the downbeat mood.

Mr Sasha Serafimovski at Merrill Lynch, who rates the banking sector a sell, described the spate of recent results as awful, adding that dividend cuts had simply rubbed salt into the wounds. He estimated that the banks were lining up with cash calls worth a total of about $5bn, which were going to be very difficult to sell.

Telecom Italia lost L68 at L3,942, with investors wary ahead of today's expected court ruling on the Omnitel-Pronto Italia's GSM mobile telephone case against Telecom Italia.

Nordic markets had a bad day. STOCKHOLM saw Volvo, which owns about 11 per cent of Renault, fall SKr5.50 to SKr121.50 as the Affärsvärlden General index shed 17.0 or 1.2 per cent to 1,439.80. COPENHAGEN and HELSINKI each dropped 2 per cent: the KFX index lost 1.79 at 88.20 in high turnover of DKr965m in a market characterised by currency unrest and speculation; and the Hex index fell 32.1 to 1,555.3, with the forestry sector down 2.7 per cent, banking and finance 3 per cent lower and Nokia, the telecoms group, off FM20 at FM622.

ATHENS slipped down through the 800 support level, the general index closing at 795.35, off 5.27. The market softened against a background of tax protests by Greek farmers and concern about the fate of the new Spata airport planned for Athens. The European Union go-ahead for the airport came after the close.

ISTANBUL moved up to a fresh all-time peak, comfortably recouping the previous day's profit-taking inspired setback. The 100-share composite index rose 1,090.41 – 2.97 per cent – to close at 37,779.29. The market's advance so far this month is now within a whisker of 30 per cent.

FT-SE Actuaries Share Indices

Mar 29 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1229.02	1230.98	1232.63	1236.49	1236.98	1236.57	1237.22	1236.85
FT-SE Eurotrack 200	1342.34	1344.09	1345.47	1348.35	1348.93	1349.69	1350.47	1349.07

	Mar 28	Mar 27	Mar 24	Mar 23	Mar 22
FT-SE Eurotrack 100	1242.45	1254.68	1241.50	1228.24	1250.31
FT-SE Eurotrack 200	1353.50	1363.70	1355.45	1345.44	1359.80

Base 1000 (26/10/90); High/day: 100 - 1238.24, 200 - 1350.71 Low/day: 100 - 1228.76 200 - 1341.27 † Partial

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

ASIA PACIFIC

Nikkei eases as Manila jumps another 2.2%

Tokyo

Profit-taking hit share prices after two days of substantial gains and the Nikkei 225 average lost some of its rise of 5.9 per cent registered over Monday and Tuesday, *writes Emiko Terazono in Tokyo.*

The index was off 221.00 or 1.3 per cent at 16,460.73 after fluctuating between 16,365.86 and 16,704.27. A fall in Nikkei futures prompted arbitrage unwinding in addition to the cash market profit-taking, and rumours that a Japanese broker had suffered losses from derivatives trading also discouraged market participants.

Volume fell again, from 283m shares to 235m. Corporate investors remained on the sidelines ahead of the annual book closing, while some investors were wary in view of the high balance of outstanding arbitrage buying.

The Topix index of all first section stocks shed 11.75 to 1,313.09, while the Nikkei 300 slipped 1.99 to 243.36. Losers led gainers by 531 to 436, with 155 issues unchanged. In London the ISE/Nikkei 50 index eased 0.94 to 1,088.10.

Initial euphoria over the merger between Bank of Tokyo and Mitsubishi Bank, which lifted stock prices yesterday on hopes of a solution for the banking industry's bad debt problem, receded. Investors focused instead on the rebound of the yen as foreign currency traders, expecting the US to raise interest rates, bought back the Japanese currency.

Bank of Tokyo was the most active issue of the day, rising Y50 to Y1,450 on the merger news. Mitsubishi Bank, however, fell Y100 to Y2,050. Other banks, which gained ground on Tuesday, were also lower. Industrial Bank of Japan fell Y70 to Y2,250 and Dai-Ichi Kangyo Bank lost Y70 at Y1,720.

Brokers were the largest losers of the day, the sector dropping 4.7 per cent, with Nomura Securities down Y90 at Y1,640 and Yamaichi Securities off Y57 at Y573.

Privatisation stocks retreated, with Japan Tobacco declining Y9,000 to Y811,000 and East Japan Railway Y5,000 to Y432,000. Nippon Telegraph and Telephone, however, rose Y5,000 to Y760,000 on foreign buying.

Some heavy electricals attracted bargain hunting buying. Hitachi firmed Y10 to Y880 and Toshiba Y4 to Y585.

In Osaka, the OSE average fell 24.07 to 18,169.10 in volume of 317.7m shares. Profit-taking hit Aoyama Trading, the men's suit maker, which lost Y200 at Y1,270, and Mori Seiki, down Y80 to Y1,670.

Roundup

A weak trend was seen in much of the region.

MANILA, however, was boosted again by bargain hunting by foreign funds, after a hiatus largely caused by the sharp deterioration in relations with Singapore which followed the hanging of a Filipino maid.

The composite index gained 51.82 or 2.2 per cent at 2,340.58, for a two-day rise of 92 points.

BANGKOK ended higher on buying of telecommunications counters and on news that a new fund will start trading today. The SET index was up 18.13 at 1,229.70, after 1,232.26, in heavy volume of 97m shares.

The Securities and Exchange Commission said it had approved an open-ended fund, initially worth Bt10bn, aimed at bolstering the market.

Thai Telephone and Telecommunication topped the actives list, surging Bt13 to Bt191, and TelecomAsia firmed Bt2 to Bt94 after the cabinet approved a plan for the company to install 1.9m telephone lines next year.

HONG KONG finished 1.1 per cent down, the Hang Seng index losing 95.18 at 8,732.75 as turnover shrank to HK$3.14bn from Tuesday's HK$5bn.

The market largely ignored a 16 per cent fall in interim profits at New World Development, analysts saying that they had expected flat to weaker results anyway and that first-half reports of developers were not particularly meaningful. However, today's local land auction was keenly awaited.

SINGAPORE ended firmer as foreign funds bought index stocks late in the afternoon.

The Straits Times Industrial index was finally ahead 18.17 at 2,122.41, having picked up from a low of 2,077.95. The UOB OTC index, tracking Malaysian shares, rose 17.96 or 1.7 per cent to 1,101.06.

SEOUL finished lower for the third consecutive day on institutional selling ahead of the end of the financial year tomorrow, in a very thin market. The composite stock index dipped 11.46 to 936.44.

SYDNEY eased, awaiting today's balance of payments data for February and pressured by expiries of options and futures contracts. The All Ordinaries index declined 6.7 points to 1,893.0.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 28 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 27 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	160.03	-0.4	148.21	90.32	116.45	146.62	-0.4	4.05	160.60	149.15	90.66	117.62	147.25	180.82	157.95	169.70
Austria (16)	183.32	-0.3	169.78	103.47	133.40	133.35	-0.9	1.22	183.88	170.77	103.80	134.67	134.63	198.89	167.46	165.58
Belgium (35)	177.07	0.3	164.00	99.94	128.85	125.81	-0.3	4.21	176.55	163.96	99.66	129.30	126.23	180.87	161.53	167.92
Brazil (28)	119.88	-2.4	111.03	67.66	87.24	200.70	-2.1	1.69	122.79	114.03	69.32	89.93	205.11	–	–	–
Canada (103)	134.01	-0.4	124.12	75.64	97.52	136.18	-0.2	2.56	134.49	124.90	75.92	98.50	136.39	140.25	120.54	136.15
Denmark (33)	255.84	-0.8	236.95	144.40	186.17	193.97	-1.0	1.62	257.90	239.50	145.58	188.87	195.88	275.27	236.81	261.74
Finland (24)	173.18	-1.4	160.40	97.75	126.02	159.52	-1.4	1.50	175.63	163.10	99.14	128.62	161.76	201.41	133.89	142.21
France (101)	174.29	0.3	161.42	98.37	126.82	135.05	0.0	3.20	173.73	161.34	98.07	127.23	135.03	180.93	157.79	174.05
Germany (58)	142.85	-0.9	132.30	80.62	103.95	103.95	-1.6	2.15	144.20	133.92	81.40	105.60	105.60	154.61	132.09	138.52
Hong Kong (56)	355.15	1.4	328.94	200.46	258.45	352.59	1.4	3.76	350.36	325.38	197.79	256.60	347.81	416.42	277.40	382.81
Ireland (16)	211.20	-0.3	195.61	119.20	153.69	185.25	-0.6	3.63	211.81	196.71	119.57	155.13	186.39	217.10	177.56	187.65
Italy (58)	69.48	-0.3	64.35	39.22	50.56	88.34	-0.4	1.82	69.73	64.75	39.36	51.07	88.67	97.78	65.45	81.49
Japan (464)	149.48	5.0	138.44	84.37	108.78	84.37	5.0	0.90	142.33	132.18	80.34	104.24	80.34	170.10	136.95	154.25
Malaysia (97)	478.41	1.9	443.10	270.03	348.14	467.54	1.9	1.69	469.33	435.87	264.94	343.73	459.01	594.76	398.16	445.40
Mexico (18)	851.80	1.5	788.91	480.78	619.84	6272.36	0.3	1.73	838.88	779.08	473.55	614.37	6250.65	2414.12	647.81	2150.05
Netherland (19)	230.42	0.3	213.41	130.05	167.68	164.95	-0.3	3.79	229.70	213.32	129.67	168.23	165.52	232.41	191.28	197.73
New Zealand (14)	74.75	2.0	69.24	42.19	54.40	61.28	2.0	4.81	73.28	68.08	41.37	53.67	60.07	77.20	62.05	64.89
Norway (23)	207.17	-0.3	191.87	116.93	150.75	175.66	-0.7	2.25	207.88	193.05	117.35	152.24	176.73	218.09	177.53	196.71
Singapore (44)	357.73	1.2	331.32	201.91	260.32	234.09	1.1	1.84	353.35	328.15	199.47	258.78	231.56	401.38	297.62	300.37
South Africa (59)	332.58	1.0	308.01	187.70	242.00	261.59	0.8	2.60	329.21	305.73	185.84	241.10	259.47	342.00	205.55	247.54
Spain (38)	125.60	-0.3	116.33	70.89	91.40	122.55	-0.6	4.50	125.99	117.00	71.12	92.27	123.22	150.21	124.10	142.93
Sweden (48)	235.03	-0.8	217.68	132.66	171.03	254.63	-0.2	2.23	236.84	219.96	133.70	173.46	255.22	247.40	196.70	208.23
Switzerland (47)	178.49	-0.1	165.31	100.74	129.88	127.75	-0.7	1.94	178.72	165.97	100.89	130.89	128.64	179.86	149.91	163.96
Thailand (46)	140.78	1.0	130.39	79.46	102.45	135.07	1.0	3.11	139.37	129.43	78.67	102.07	133.78	–	–	–
United Kingdom (203)	202.87	-0.3	187.89	114.50	147.63	187.89	-0.6	4.35	203.56	189.04	114.91	149.08	189.04	205.56	181.11	192.52
USA (511)	205.79	0.1	190.59	116.15	149.75	205.79	0.1	2.76	205.55	190.89	116.04	150.54	205.55	205.79	178.95	187.45
Americas (660)	188.36	0.1	174.45	106.31	137.07	158.25	0.1	2.73	188.20	174.78	106.24	137.83	158.12	–	–	–
Europe (719)	174.12	-0.3	161.27	98.28	126.70	146.61	-0.6	3.32	174.60	162.15	98.56	127.87	147.53	176.01	160.59	167.72
Nordic (128)	224.51	-0.8	207.93	126.72	163.37	201.43	-0.6	2.00	226.39	210.25	127.80	165.80	202.64	235.72	197.70	203.63
Pacific Basin (809)	157.71	4.4	146.07	89.02	114.77	94.54	4.4	1.27	151.10	140.32	85.30	110.66	90.59	176.86	145.83	162.37
Euro-Pacific (1528)	164.45	2.3	152.31	92.82	119.67	114.53	2.1	2.17	160.79	149.33	90.77	117.76	112.17	175.14	154.73	164.45
North America (614)	201.34	0.1	186.48	113.64	146.51	201.06	0.1	2.75	201.15	186.81	113.55	147.31	200.84	201.34	175.67	184.26
Europe Ex. UK (516)	155.06	-0.2	143.62	87.52	112.84	123.79	-0.6	2.72	155.44	144.35	87.75	113.84	124.57	158.19	144.12	150.65
Pacific Ex. Japan (325)	238.78	1.0	221.16	134.77	173.76	211.74	1.0	3.23	236.39	219.53	133.44	173.13	209.71	273.13	211.79	242.37
World Ex. US (1736)	164.91	2.1	152.73	93.07	120.00	117.80	2.0	2.18	161.44	149.92	91.13	118.23	115.61	176.65	155.42	165.77
World Ex. UK (2044)	174.71	1.6	161.81	98.61	127.13	139.21	1.5	2.19	172.01	159.74	97.10	125.97	137.16	178.59	163.46	169.98
World Ex. Japan (1763)	193.65	0.0	179.35	109.30	140.91	180.54	-0.1	2.98	193.58	179.77	109.28	141.77	180.72	193.65	176.34	183.35
The World Index (2247)	177.18	1.4	164.10	100.00	128.93	143.49	1.3	2.40	174.78	162.30	98.65	127.99	141.67	180.80	165.92	171.97

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Jardine Fleming

Highlights 1994

JARDINE FLEMING GROUP LIMITED 1994 AUDITED RESULTS

• Profit after taxation and minority interests	US$211 million	+5%
• Total assets	US$3.8 billion	+3%
• Shareholders' funds	US$394 million	+30%
• Return on opening Shareholders' funds		70%
• Funds under management	US$22 billion	+3%

- **Best All Asia Research,** *Institutional Investor*
- **Asian Equity House of the Year,** *International Financing Review*
- **Investment Bank of the Year,** *Asiamoney*
- **No.1 Hong Kong Blue Chip Research House,** *South China Morning Post*

"Jardine Fleming's profits in 1994 were a notable achievement given tougher financial market conditions, especially in Asia's emerging markets. The Group's overall performance reflects good underlying results from all our main operating divisions and overseas offices. We added Beijing and Karachi to our network as well as becoming the first foreign venture to gain membership on stock exchanges in India, Thailand and, in 1995, Korea. This year we celebrate our 25th anniversary in Hong Kong and remain confident that, as the Asia-Pacific region continues to expand, Jardine Fleming will remain at the forefront of this growth."

Alan Smith, Chairman

24th March 1995

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FINANCIAL TIMES SURVEY

TOKYO CAPITAL MARKETS

Thursday March 30 1995

Still strong but less ambitious

The clouds have returned, and some things may indeed have changed, but Tokyo's position as a leading financial centre is not threatened, says Gerard Baker

This spring there is more than the usual sense of renewal about Tokyo. The new financial year that comes in with the cherry blossoms next week holds out to many in the country's benighted financial markets the chance to banish the nightmares of the past few years – a period that has seen the unprecedented stagnation of the nation's securities markets and the blighting of its banks.

The announcement this week of a planned merger between Mitsubishi Bank and Bank of Tokyo, two of the country's strongest financial institutions, has added to the optimism in the banking sector. The merger will create the largest bank in the world, and has been heralded as a sign that banks' fortunes may at last be reviving. But while the hope of better times is still strong, the prospects are as uncertain as they have ever been.

At various moments in 1994 it looked possible that the long decline of Japan's financial sector might be ending. In the summer the country was at last officially declared to have emerged from its longest recession since the second world war. Economic recovery was expected to bring with it the end of the traumas experienced by banks, brokers, insurers and property companies since the collapse of the bubble economy, the period of rapidly expanding asset prices of the late 1980s.

As though in salute, the stock market managed a sustained rally, and in June hit its highest level for more than two years. Banks also had something to cheer about – or so they claimed. The massive pile of bad debts that they had accumulated from the bursting of the bubble, which had been mounting with alarming speed, appeared to have peaked. And these signs of progress all took place against a background of encouragement from the authorities.

But in a few critical months at the end of last year and the beginning of this the clouds have rolled in again over the country's financial system. By a rare combination of administrative ineptitude, bad luck and natural disaster, confidence, the scarce resource on which financial strength depends, evaporated, leaving Tokyo again wondering whether the decline is terminal, not cyclical.

The first signs of trouble came as the stock market ran out of steam last autumn. Its retreat was turned into a rout by the so-called "Double JT Fiasco" – the bungled privatisation of two public concerns, Japan Telecom and Japan Tobacco, which asked the market to absorb more than Y1,000bn of new equity. Fears about the fragility of the economic recovery continued the trend until the new year. Then disaster really did strike.

The Kobe earthquake on January 17 shattered the nerves of many in the financial sector. The massive cost of restructuring was certain to hurt corporate earnings; damaged real estate meant more bad loans, and most important of all, the shock to confidence it sent throughout the country was almost tangible.

This uncertainty was compounded by another highly questionable intervention by the authorities. Just before Christmas, the Bank of Japan announced a rescue plan for two failed credit institutions. Many of these smaller financial institutions are thought to be on the brink of bankruptcy, and the authorities' move was widely regarded as a test case. If the two small companies could be bailed out by public funds, then perhaps that would set the pattern for the restoration to full health of dozens of similar institutions.

But the decision to inject more than Y50bn of public money into two credit associations, which had been brought down by their own folly, was not popular from the start. Worse was to follow, however, when, shortly after the earthquake, it emerged that the two had got into trouble not just through incompetence, but, allegedly, through corruption and influence-peddling of a kind so familiar to disillusioned voters in the 1980s.

The damage to the authorities' strategy is hard to measure. But it has almost certainly set back their ability to produce an orderly resolution of the bad-debt problem that still erodes the financial system. The risk is that when the next institution fails, the government will not be able to offer support, for fear of igniting public opinion.

So a project that was designed to assuage the chronic uncertainty about the health of the financial system, has ended up exacerbating it. In the process, the progress that has been made by some banks towards removing their massive losses, has disappeared behind the discomfiture of the authorities.

This uncertainty has also heightened fears about Tokyo's future as a leading financial centre. For several years the city has been losing financial business to the growing markets of Hong Kong and Singapore, as well as to its more traditional rivals of London and New York. Officials say this shift merely reflects Japan's cyclical downturn, and will be reversed as the economic recovery gradually strengthens. But many in the markets, especially the foreigners, are not so sure.

Foreign companies have been fleeing Tokyo at an alarming pace. Multinationals have delisted at an accelerating rate from the Tokyo Stock Exchange. There are now fewer than 100 companies listed, down from nearly 130 three years ago. Foreign financial institutions have also been abandoning the place. In the past year, three leading US institutions have given up equity trading and many more have scaled down their operations.

Once again, many critics see the authorities as the problem, not the solution. The administrative inclination to meddle in markets is still strong – deregulation continues, but at a glacial pace. Despite the steps that have been taken towards a more liberalised market in the past few years, the ministry of finance retains a grip on financial affairs like no other regulator in the world.

From the "price-keeping operation" (a discredited, but continuing attempt by the government to support share prices) to the high taxes and charges levied on those doing financial business in Tokyo, the heavy hand of the authorities is evident, pursuing, in their own words "investor protection".

The ministry of finance defends its action by saying the system is still so fragile that a wholesale liberalisation introduced too quickly would be ruinous. They have a point – opening up markets to free competition would indeed be catastrophic in the first instance for many participants. But the past year has demonstrated that the MoF's strategy of a gradual relaxation may be contributing to the slide. A vicious circle is in full operation – the government will not move more quickly to deregulate until it is sure the financial system is healthier. Yet the system itself is debilitated further by the rules that stifle the market. Meanwhile, investors, domestic and foreign, lose interest.

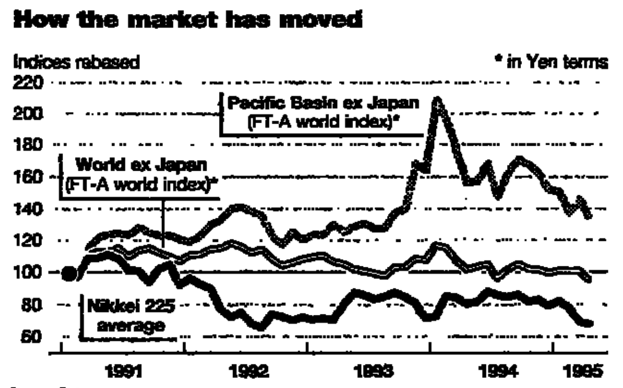
Perhaps the dire warnings of those who cry for more freedom are overdone. Tokyo's position as a leading financial centre is not threatened. It remains the financial capital, not just of the world's second largest economy, but of most of Asia, the region of greatest economic dynamism in the world. Its banks and brokers are recycling the country's surpluses to the emerging economies of Asia.

Its brokers, despite their disastrous losses of the last four years, are still the best-capitalised financial institutions anywhere. And its people are still the biggest savers, giving the Tokyo market one of the largest pools of investment capital in the world.

But what has changed is the scope of Tokyo's ambitions. Five years ago, Japanese financial institutions had entirely realistic hopes of dominating the globe. The rest of the world quaked before the financial muscle of the Nomuras and Sumitomos, and flocked to Tokyo to be at the hub of the financial system. Now, those institutions, and the city they still call home, are happy simply even to be regarded as players.

What's gone wrong? Dealers ponder a dull morning's trade on the Tokyo Stock Exchange as the value of shares falls again Susumu Takahashi (Reuter)

How the market has moved



Source: Datastream

Shares fall faster than brokers can cut costs

In two years, Tokyo's leading 20 brokers have cut selling, general and administrative costs by nearly 10 per cent. Yet they have not been able to downsize anywhere near as quickly as the market has fallen: Page 3 of this survey.

ALSO

Currency: Yen.
At March 27, 1995: $1=Y88.72; £1=Y141.36; DM1=Y62.80.

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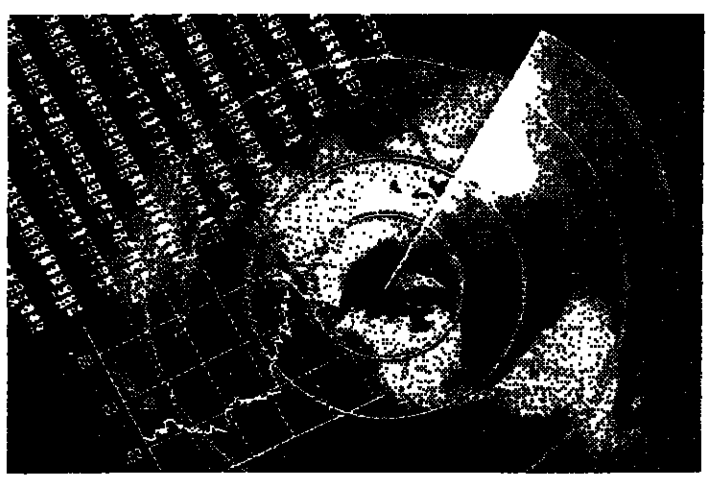

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The banks' journey to recovery will be long and slow, says **Gerard Baker**

Still haunted by bad debts

For most of the past year, Japan's banks have been busy pronouncing the turning point in their fortunes. After four years in which falling land prices wiped out the collateral backing many of their loans, the largest banks in the world are anxious to claim that things have stopped getting worse.

But while the published numbers prove that perhaps the worst is behind them, a closer look suggests the banks' journey back to recovery will be a long and painfully slow one.

The accumulation of disclosed bad loans certainly seems to have peaked some time in 1994. In the six months to March 1994, total non-performing loans fell slightly at the 21 leading banks, and then dropped more sharply in the next six months – by 1.8 per cent, to just over Y13,000bn.

These falls represented a belated but welcome effort by the banks to begin the task of actively removing the bad loans from their asset books. Until 1993, banks did not even publish non-performing loan figures, but since then the long process of charging them off has begun.

But the published figures still tell only half the story. There are several omissions which disguise the true scale of the problem and demonstrate that it remains a significant impediment to growth prospects.

Banks do not follow practice in most other industrialised countries in giving figures for restructured loans. Neither do they publish figures for the large sums of money lent to housing loan companies – many of which are technically insolvent. And they do not count as non-performing loans sold to a company that specially purchases such assets – the Cooperative Credit Purchasing Corporation. Though the CCPC holds the loans until it can dispose of them, the banks are still liable for any further losses on them.

In all, these accounting measures probably take about a third of bad debts off the balance sheets. According to Ms Alicia Ogawa, banking analyst at Salomon Brothers in Tokyo, the true total of non-performing loans is more like Y21,000bn, or nearly 6 per cent of all loans – and, crucially last year, that figure was still rising.

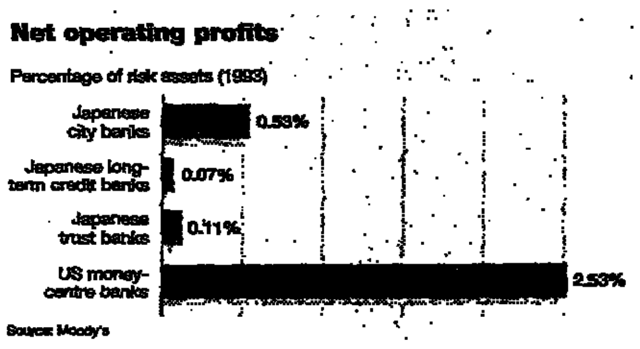
Top 10 Japanese banks (at March 31, 1994)

	Tier One capital ($m)	Change on previous year (%)	Assets ($m)	Change on previous year (%)	Pre-tax profit ($m)	Change on previous year (%)
Sumitomo Bank	22,120	0.4	497,781	-1.7	900	22.5
Sanwa Bank	19,577	1.2	493,588	-1.9	929	-50.0
Fuji Bank	19,388	0.8	507,218	-1.1	621	-38.8
Dai-Ichi Kangyo Bank	19,360	-1.2	506,563	-1.6	676	-41.6
Sakura Bank	18,549	5.4	495,975	0.4	578	-46.9
Mitsubishi Bank	17,072	-0.4	456,110	-5.1	710	-49.8
Industrial Bank of Japan	13,596	0.0	386,916	2.0	441	-44.5
Tokai Bank	10,903	3.2	311,451	2.0	472	-27.2
Long-term Credit Bank of Japan	10,689	0.5	302,185	-1.4	599	-3.1
Bank of Tokyo	10,571	4.4	242,445	-2.7	956	23.9

Source: The Banker (January 1995)

Net operating profits

Percentage of risk assets (1993)



Source: Moody's

Non-performing loan growth at the 21 leading banks

	Disclosed (Ybn)	Estimated actual (Ybn)
March 1993	12,777.5	18,058.0
September 1993	13,759.9	19,586.0
March 1994	13,575.7	20,768.6
September 1994	13,329.8	21,422.7

Source: Salomon Brothers

Non-performing loans: estimates, at September 1994

	Total (Ybn)	% of total loans	% change over previous 6 months
City banks	12,569.9	4.7	4.5
Long-term credit banks	3,731.8	7.1	0.8
Trust banks	5,121.0	8.1	1.7
Total	21,422.7	5.6	3.1

Source: Salomon Brothers

Worse still, even though disclosed non-performing loans appear to have peaked, the chronic weakness of demand for lending has led to a fall in total loans advanced.

"While banks have made strong efforts to write off problem loans, continued weakness in the economy has resulted in an even steeper decline in the balance of performing loans," says Ms Ogawa. So despite the efforts of many banks to address it, the asset quality problem appears to remain the overwhelming constraint on banks' potential.

But in the past six months, there have been signs that banks may at last be moving to tackle the problem more aggressively.

In October, Mitsubishi Bank – arguably the strongest of the city, or commercial, banks – announced a takeover of Nippon Trust Bank, unarguably the weakest of all the leading banks. The merger, aided and abetted, by the finance ministry, was the model *par excellence* of the ministry's favoured strategy for recovery. Mitsubishi – with one of the cleanest asset books in the financial sector – injected more than Y150bn to recapitalise Nippon Trust, which last year reported that more than 13 per cent of its loans were non-performing.

Though the merger will weaken Mitsubishi in the short run, it represents a step in the direction of the finance ministry's plan for the rationalisation of the banking sector. There are currently simply too many banks, many of them chronically infirm; and enlisting the assistance of the stronger to clear away the weaker represents the most effective solution. But earlier this week Mitsubishi also announced a planned merger with Bank of Tokyo, a move that represents the most far-reaching consolidation yet in the banking system. However, since both Mitsubishi and Bank of Toyo are among Japan's strongest banks, the merger will do little to resolve the bad-debt problems in the sector as a whole.

In January, Sumitomo Bank, which has the distinction of being the largest bank in the world by total assets, announced that it would become the first leading Japanese bank ever to declare a loss. In the current financial year, Sumitomo said, it would lose about Y200bn.

Such an unprecedented loss may not look like a cause for celebration, but the news was greeted warmly by financial markets. Sumitomo's loss was caused by a substantial write-off of bad loans, one of the largest ever. Analysts and regulators hailed the development as the most serious attempt yet by any Japanese bank to clear its balance sheet. Sumitomo was sending a message to world markets that it at least was serious about clearing away the detritus of the bubble economy.

"The significance of Sumitomo's move was that it represented the first time a Japanese bank has come clean about its losses and stopped trying to hide them," says Mr J.Brian Waterhouse, banking analyst at James Capel Pacific in Tokyo.

But large problems still stand in the way of a return to normal in the banking system. The Bank of Japan and the ministry of finance's ham-handed rescue of two small failed and corruption-tainted credit unions in the past few months has cast doubt on their hopes of an orderly disposal of the weaker financial institutions.

And a much more serious obstacle remains – banks' chronically low profitability. It is only by making profits that they are able to make the provisions necessary to charge off the loans. But that profitability sets world records – for the wrong reasons. According to Moody's, the US credit rating agency, operating profits before provisions for bad debts at Japanese banks are among the lowest in the world. Pre-provision profits were under 0.5 per cent of average assets at the leading Japanese banks in 1992. In the US, the figure was 2.4 per cent, in the UK 1.7 per cent, and in Switzerland 1.5 per cent.

According to Ms Yukiko Ohara, banking analyst at UBS in Tokyo: "At many banks, core earnings are so weak that write-offs of bad loans cannot be completed by the end of the century."

Japanese banks have always been less profitable than their western counterparts, mainly because their principal function in the past was as conduits to channel funds from private savings to industry, to finance reconstruction in the 1950s and 1960s. The banks' shareholders, the big industrial conglomerates, on the receiving end of the cheap money, have never had much interest in seeing substantial returns on their assets.

In the past that worked well for the banks, which concentrated instead on growth and took pride in their status as the world's largest. But now growth will require the speedy elimination of their poor assets.

The next few years will almost certainly see a divergence in the performance of Japanese banks. Only those that are serious about cutting costs and those that successfully take risks to lift their returns for shareholders will have a real claim to be regarded as world-class financial institutions.

Profile: **Yasuo Matsushita**

Quiet man, tough task

As probation periods go, it could have been easier. During his first three months in office, Mr Yasuo Matsushita, the new governor of the Bank of Japan, has had to cope with a severe earthquake, the Barings collapse, a yen crisis, and the development into a political scandal of a rescue operation launched by his predecessor for two small credit unions.

Not an easy start, but Mr Matsushita has got on with the job quietly and efficiently.

His predecessor, Mr Yasushi Mieno, was a tough act to follow, in more ways than one. Almost as soon as he took over the desk five years ago, Mr Mieno declared his intention of puncturing the economic bubble, and immediately took steps to do so, taking a robust attitude to the pain this inflicted on the banks.

Mr Mieno kept a high profile, to the extent that a few economists brand him a self-publicist. The phrases that keep cropping up in descriptions of Matsushita are "low-profile", "low-key", "quiet". Mr Mieno had a reputation as a hard man. Mr Matsushita, almost inevitably, is being seen already as soft in comparison.

The 69-year-old new governor joined the ministry of finance straight out of university – Tokyo University law faculty, naturally – in 1950. He rose to become vice-minister of finance in 1982, before retiring in 1986 to become a director of the Taiyo Kobe Bank, which later merged with Mitsui Bank and took the name Sakura Bank. Mr Matsushita was appointed chairman of Sakura Bank in 1992.

When Mr Matsushita's selection was announced last November, his position as the first governor for 30 years to have private-sector banking experience was immediately interpreted as a good portent for the banks.

Mr Brian Waterhouse, an analyst with James Capel, says: "Having someone with hands-on experience of commercial banking go into the position of governor of the Bank of Japan was generally greeted with enthusiasm by the banking industry, because they felt he was likely to pursue policies that would favour the banks, rather than pursuing broad economic policies at the expense of the banks, like his predecessor Mr Mieno."

Sakura Bank has one of the largest portfolios of bad loans, so Mr Matsushita's colleagues in the private sector hope that he will take a sympathetic view of their predicament.

But others question whether a mere eight years in the private sector could really outweigh the attitudes and priorities acquired during 36 years in the ministry of finance.

Mr Robert Feldman, chief economist at Salomon Brothers in Tokyo, has little time for the view that Mr Matsushita's past predisposes him in the banks' favour. "Nonsense. After his service in private-sector banking, he does not have a banking background – he has a ministry of finance background. He probably knows banking much better than the MoF, but that includes the bad stuff as well as the good stuff," Mr Feldman says.

Mr Yasuo Matsushita has made an efficient start to a difficult job

As yet, there is no conclusive evidence either way, though some claim to detect indications. Mr Mark Faulkner, financial sector analyst with S.G. Warburg, says: "I think he has already demonstrated that he is much more in tune with the needs of the banking system rather than the economy. Mieno set monetary policy very much on the basis of what the macro-economy required. Matsushita has a weather eye on what the banking system needs when he sets monetary policy."

Short-term interest rates have certainly been kept low during Mr Matsushita's governorship so far, but it is debatable whether that is a sign of deliberate pro-bank policy, or a response to other factors, such as the Kobe earthquake and the strong yen.

What can be said is that after Mr Mieno's sometimes heavy-handed approach to the economy, Mr Matsushita seems to have a rather lighter touch. Ms Mineko Sasaki-Smith, senior economist with Morgan Stanley in Tokyo, says: "So far, in a short period of time, I am actually quite impressed. I think his monetary policy is more sensitive and delicate. He has distinguished himself in separating three layers of monetary policy to send a message to the market."

The early signs are that any difference between Mr Matsushita and Mr Mieno is more of style than substance, and not only in the face he presents to the outside world. "Mieno would tell people what to do. Matsushita reportedly is much more consensus oriented, so it is going to take the BoJ longer to make decisions," says Mr Robert Feldman, chief economist with Salomon Brothers in Tokyo.

Although Mr Matsushita may not have a tough-guy personality, he has a tough task to do during his five years in office: resolve once and for all the overhang of bad debt from the bubble years.

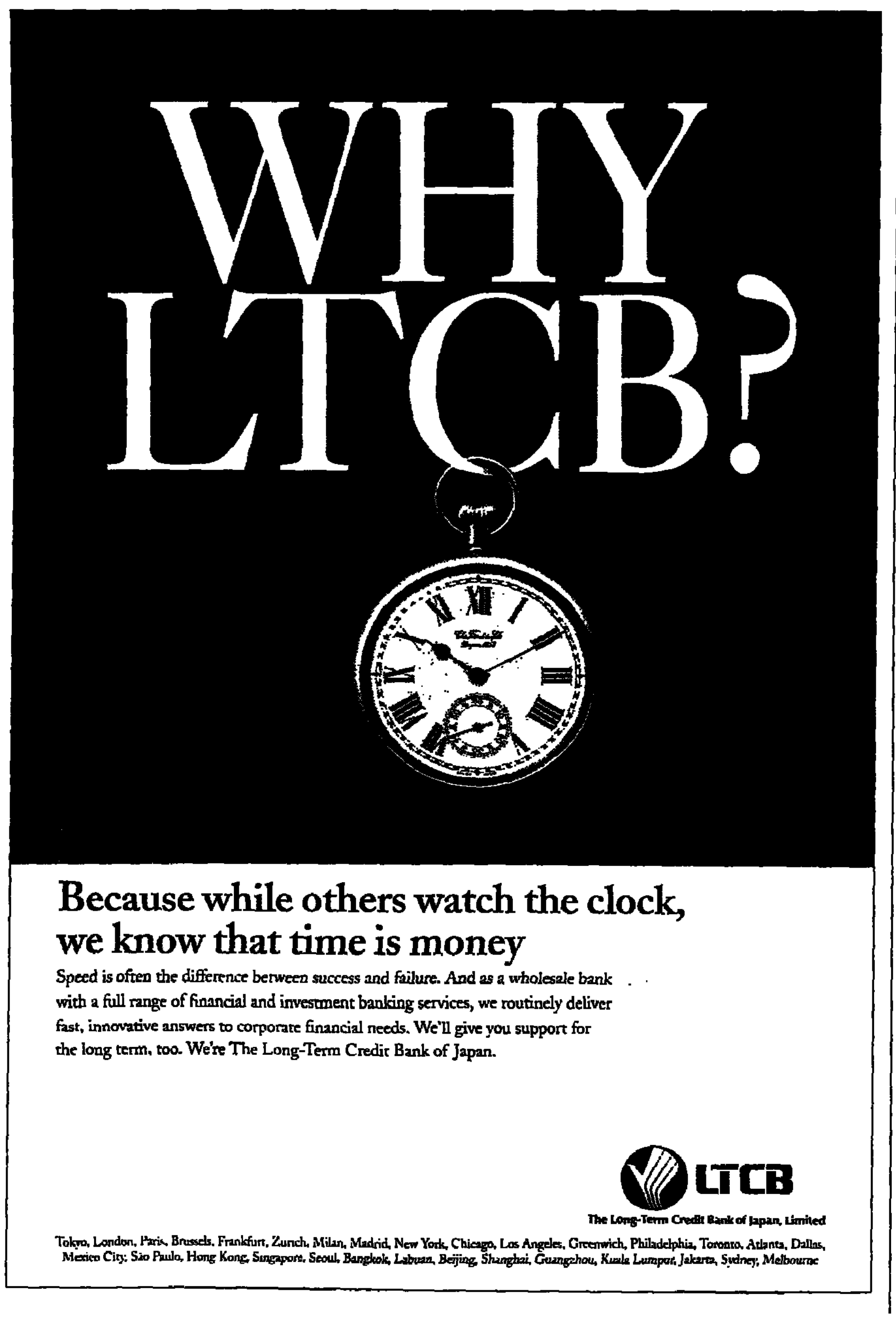
Recent developments in the case of the two credit unions issue have probably made this task even tougher. The corruption and political intrigue uncovered have contributed to the atmosphere of growing public hostility to the use of public money to bail out financial institutions.

Possibly the single most challenging item in Mr Matsushita's in-tray is the need to organise a tidy settlement of the bad-debt problems of a number of housing loan corporations, a problem which has so far not even been touched.

"A centrally assisted solution of the housing finance problems would be a very nice conclusion to the crisis of the past few years," says Mr Faulkner.

How the new governor will achieve that is yet to be seen, but nobody is expecting a radical departure in policy. After all, Mr Matsushita was Mr Mieno's favoured candidate for the job, and it would be surprising if he had picked a successor with ideas fundamentally different from his own. And given the strength of the Japanese bureaucracy, it is questionable how far policy could be pushed out of the established line by even the most determined governor.

Bethan Hutton



William Dawkins examines the consequences of gradual deregulation

Cracked dam needs attention

Until this year, the Japanese finance ministry was undisputed master of the pace of deregulation in Tokyo financial markets.

It had engineered a gradual, orderly increase in competition, justified by the needs to maintain high standards of investor protection and to ward off threats to the stability of the financial system.

That has now subtly changed. It now looks just possible that the ministry's hand may be forced. Instead of protecting the system from shocks, the ministry has insulated it from competition so thoroughly that Tokyo's attractiveness as an international financial centre has suffered.

Thus, the finance ministry's caution may have to give way to a wider cause: the need to restore Japanese financial markets' competitiveness, fast eroded by cheaper and less regulated financial centres in east Asia.

On top of this, the limited amount of financial deregulation achieved so far has unleashed demands for more. They may be unstoppable. Smaller stockbrokers, for example, are clamouring for access to new markets, to compensate for the erosion of the old barrier between themselves and the banks.

So it is that Japan's financial deregulation resembles the early stage of a collapsing dam. The first cracks are small. But they have unleashed pressure that may bring the whole structure down.

Perhaps the single biggest change to the cosy old structure of Tokyo's financial markets was the opening, late last year, of securities subsidiaries by the big six commercial banks. It exposed Japan's ailing stockbrokers to unprecedented competition at a tough time, when their core earnings were under pressure from small equity market turnover.

Until 1993, Japanese banks were not allowed to undertake stockbroking, a rule modelled on the US Glass-Steagall Act. Then, the smaller long-term credit and trust banks were permitted in to underwrite and sell bonds, a cautious first step to deregulation. Banks had long clamoured for this right, to enable them to keep hold of their industrial customers which, since the 1980s, have made increasing use of bonds, rather than bank debt.

Even though brokers' main business, equities, is still off-limits to banks, this fresh competition in the lucrative bond market has sparked demands by brokers for access to fresh business, to compensate.

They are now lobbying the ministry hard for the removal of legal restrictions to trade in asset-backed securities, a secondary bond market, and derivatives – financial instruments which are common in the US and Europe, but hardly used in Japan. Foreign lobbyists for financial deregulation have thus, to their pleasant surprise, found domestic allies.

The opening of securities subsidiaries by commercial banks exposed stockbrokers to competition just when their core earnings were under pressure

The ministry is considering unlocking the door to asset-backed securities. But it can be expected to continue to drag its feet on deregulating derivatives. That strategy was recently justified, in the minds of many in the ministry, by the recent collapse of Barings, the UK merchant bank, brought down by losses on Nikkei 225 futures contracts.

Indeed, the ministry's conservatives point out that the high margin payments required to trade index futures on the Osaka stock exchange enabled the exchange to shoulder Barings' losses there without calling on brokers. Japan's legal ban on over-the-counter derivatives trading, another much-criticised curb, also conveniently made it impossible for Japanese financial institutions to take over Barings' loss-making futures contracts.

Deregulation has also started to change old ways in the savings industry. The last remaining government controls on bank-deposit interest rates were lifted by the finance ministry last October, in theory leaving banks free to pay investors whatever rate they choose. In practice, the impact of this change has been subtle, underlining how Japanese deregulation is not always what it seems. Different banks' interest rates have since varied very little, a sign that in the absence of deregulation the finance ministry's guiding hand is still at work, behind the scenes.

Another area where Japan's financial authorities have eased their grip over the past year is in the onerous requirements for a stock exchange listing.

Here, the pressure for change came from two sources. First, a steady stream of foreign companies has left the Tokyo exchange, unable to justify the Y15m to Y20m a year needed to maintain a listing, roughly four times the cost of other leading markets. Second, these high costs have deterred fast-growing young Asian companies from coming to Tokyo to seek capital. Both have been a blow to Tokyo's financial prestige.

Rather than waiting for the ministry to act, an anxious Tokyo Stock Exchange issued its own edict, last December, to halve the initial listing costs, reduce the minimum size of companies admitted to a listing, and cut the amount of corporate information required to be translated into Japanese.

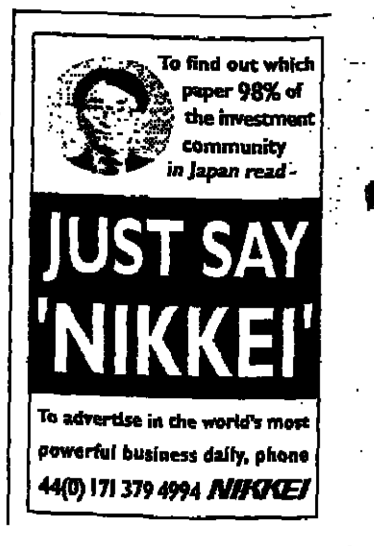
Separately, the government has allowed a modest degree of competition for management of Japan's vast goldmine of pension fund assets, estimated at $1,000bn. The US government had been lobbying, since the mid-1980s, for access to the pension fund management market, monopolised by Japanese trust banks and life insurance companies.

But what finally encouraged the ministry to open the door a crack was not foreign, but domestic pressure. Here, the demand for liberalisation came from the powerful Pension Welfare Service Public Corporation, or *nenpuku*. The corporation urgently wants better returns on the two-thirds of private pensions which it controls by law, because Japan's ageing population means payouts will rise. It feels a dose of competition for its Japanese trust bank and insurance company fund managers might do the trick.

The deregulation of the pension fund market has been designed to soften the loss to the trust banks, in line with the ministry's traditional concern not to shake the system too hard. Foreign fund managers will only be given access on strict terms, under which they can only manage money handed to them by trust banks, who will continue to collect a fee on the way.

But the ministry has also paved the way for potentially far-reaching change in the pension fund industry, by commiting Japanese fund managers to adopt, by 1997, investment performance measures comparable to those used by their US and European counterparts. At present, it is very hard to compare the performances of Japanese and foreign fund managers, though the suspicion is that Tokyo's trust banks are no match for Wall Street's fund managers.

When true comparisons do become possible, foreign fund managers suspect that the pressure for more radical change will become unstoppable.



Gerard Baker sees no immediate end to the plight of big brokers

No profits expected this year

In the rich years for Japan's financial markets, grateful stockbrokers used to fill the collection box at Kabutocho, a *small shrine just across the* street from the Tokyo Stock Exchange, with Y10,000 notes. These days, according to the priests who tend this favourite place of prayer and worship for the country's financiers, they are lucky if they find a few Y500 coins.

The Kabutocho recession reflects the continuing slump in Japan's securities industry. For more than four years the stock market has been in an *unprecedented decline. In the* boom year of 1988, average daily trading volumes on the TSE's *first section hit* more than 1bn shares. For the past four years, they have been stuck at around 300m. From that simple, bleak statistic stem all the woes that continue to haunt the country's brokers.

Last year, only a handful of the securities companies managed to make any money at all. When in January, Nomura, the largest and most successful broker, announced that it would record a loss this year, it as good as confirmed that not one company would make a profit when the current year ends this week.

And the long slump in the market seems unlikely to abate *soon. Japanese institutional*

Despite several years of retrenchment by the brokers, they have not been able to downsize anywhere near as quickly as the market has fallen

investors are still seeking to divest themselves of equities, as part of a long-run review of *their financial performance*; and industrial corporations are in the process of reducing their traditional shareholdings in other companies, as part of broader industrial groupings. Both factors seem certain to leave the market depressed for some time.

Despite several years of retrenchment by the brokers, they have not been able to downsize anywhere near as quickly as the market has *declined. In the past two years,*

New public equity offerings (Ybn)	
Financial year beginning April	
1987	1,494.6
1988	3,466.8
1989	6,257.1
1990	197.7
1991	33.1
1992	8.2
1993	53.8
1994 (to Feb '95)	133.0

Source: Yamaichi Research

the leading 20 brokers have cut selling, general and administrative costs by an *aggregate of nearly 10 per cent.* But most of those savings have come from falling sales – they *have not seriously begun to* cut their basic costs. Staff numbers have only been trimmed – mostly by cutting the number of new graduates hired – and the cultural commitment to "lifetime employment" remains, even for the beleaguered brokers.

"Companies have been trying to reduce expenses since it became apparent that the markets were not going to return to their previous volumes soon. But lifetime employment enlarges the fixed component of their cost *structures," says Mr Shinji* Okabe, of Moody's, the US credit ratings agency, in *Tokyo.*

It is the smaller and medium-sized brokers that continue to face the greatest challenges. They rely on equity brokerage commissions for a far higher proportion of their total revenue than the Big Four – Nomura, Nikko, Daiwa and Yamaichi. With higher fixed costs, too, on average they need daily trading values to be more than Y380bn if they are to make a profit. Not since *1990 have values consistently* been that high. The Big Four can still turn a profit as long as aggregate trading is worth over Y260bn shares a day, but even that figure has been tested in recent months.

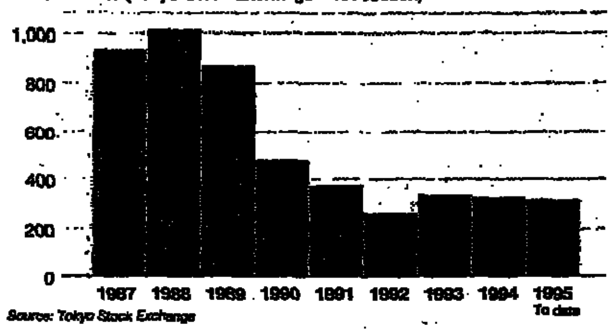
Efforts to diversify have been stymied by a combination of weakness in the economy and an unfavourable regulatory climate. Commissions from bond issuance are weakening, *thanks to the arrival in the*

Net purchases/sales of equities, by category (Ybn)	1990	1991	1992	1993	1994
Banks	-2,546.9	787.8	848.3	2,942.8	2,165.3
Other financial	1,325.4	-1,725.3	-297.1	-352.0	-1,897.4
Industrial corporations	776.0	-1,760.5	-755.8	-1,879.2	-1,850.3
Individuals	1,671.7	-2,932.8	22.9	-1,147.2	-2,033.1

- = sale; all others purchases. Source: Yamaichi Research

Average daily trading volume

Million shares (Tokyo Stock Exchange - 1st section)



Source: Tokyo Stock Exchange

Brokers' earnings: March-September 1994	Operating profits (Ybn)	Pre-tax profits (Ybn)
Daiwa	7.2	7.3
Nomura	22.4	22.5
Yamaichi	-8.4	-8.7
Nikko	3.1	2.3
Total – Big Four	24.3	23.4
Other TSE-1 listed brokers	-63.5	-58.7
All TSE-1 listed brokers	-39.2	-35.2

Source: Salomon Brothers

market of the new subsidiaries of the big banks, which have been permitted to issue bonds since last November. With their strong client base, they have already eaten into the revenues of the smaller brokers.

One manager at a medium-sized broker says: "We're in a race for customers now against the banks; but I *cannot really see how we can* win it. They already have the customers; we don't."

Commissions from equity issuance – which the banking subsidiaries are not yet permitted to conduct – have improved in the past year, as the number of new issues has risen slightly from its near-total collapse of two years ago. But new issuance remains heavily circumscribed by the authorities because of the *general weakness of the stock* market, inhibiting real growth potential.

And last year the deregulation of brokerage commissions began – a move likely to put further pressure on the securities sector. So far the impact has been limited, since the deregulated commission rates apply only to trades of more than Y1bn; but in the next few years, the *liberalisation seems certain to* be extended to smaller trades.

Few other developments look positive. The Big Four have, in the past, been better able to offset domestic weakness with stronger growth overseas, but last year that escape route was cut off. The weakness of US and European bond and equity market has forced all the leading companies to trim their operations there. Both Nomura and Daiwa announced *significant cuts in their* European staffs earlier this *year. They are focusing instead* on Asia, where growth continues to be healthy.

Beset by a falling stock market, deregulation and stubbornly high costs, it might be thought that most brokers have a short future. But in fact they are protected from the risk of real collapse by a remarkably strong capital *base. Unrealised gains from* their long-term holdings of equities, and profits amassed in the boom years, mean the securities brokers have a cushion against their losses.

"Some of them are so well capitalised that they could just keep on losing money for another 10 years or so – slowly bleeding to death," says one analyst.

They have some of the highest capital ratios of any *comparable institutions in the* world – and the Big Four are particularly strong. Nomura, *for example, has only just over* half the asset base of Merrill Lynch, the US broker, but *its share capital is three times the* size of Merrill's.

If there is a threat to most *brokers' survival*, it lies probably in the risks posed by their affiliated companies. Many of them provide support to non-bank affiliates which dived inadvisedly into commercial property lending in the 1980s. The Big Four are particularly exposed to the housing loan companies, many of which have colossal totals of *non-performing loans. If the* brokers are eventually forced to contribute to the *reconstruction of these* companies, their capital strength is likely to be eroded.

Like the banking sector, the securities sector has not yet adjusted to the changed conditions of the 1990s. The industry still has companies and staff levels commensurate with levels of business activity several times higher than they have been for years, or are likely to be in the foreseeable future. And, like the banking *sector, the only practical* solution if they are to avoid "slowly bleeding to death" lies in consolidation.

But that may prove the most difficult part. Larger companies are strongly disinclined to weaken themselves by bailing out their smaller brethren in the broader interests of the industry as a whole. Persuading them otherwise will be one of the regulators' *main functions for years.*

Small brokers, too, are having to cut their costs

Special relationships offer little comfort

The recent announcement by Nomura Securities, Japan's top broker, that it was falling into the red for the first time in its history shocked the country's financial community. Difficulties facing the company, one of the healthiest in the industry, forebode even larger problems for smaller securities houses.

Nomura had been one of the few companies to avoid a deficit. And, since it was the larg*est of the country's Big Four* brokerages, many of the smaller brokers had hoped it would conjure up a way to revive the faltering Tokyo stock market, and extend them a helping hand.

However, the fact that Nomura will post consolidated losses for the year to March, and has only managed to eke out moderate earnings on the parent base, has shattered such hopes.

The plight of Japan's leading banks has also cast a shadow over the bail-out scenarios which small brokers had previously seen as last resorts. In 1993, Nomura and three banks *agreed to help Sanyo Securities* with its restructuring programme, while Cosmo Securi*ties was bailed out by Daiwa* Bank, a commercial bank.

Japanese banks, envisaging future entry into the securities business, established ties with small and medium-sized brokers in the 1980s, exchanging shares and sending their employees to learn broking expertise. Large banks, however, are now facing problems of their own. They must deal with the mounting bad loans incurred during the late 1980s, *and many have little capacity* to help the brokers with which they held such special relationships.

The rescue of Century Securities, a small private broker, by the Brunei government highlighted the growing inability of larger institutions to help smaller affiliates. The ailing Century, which had posted losses for the past three consecutive years and had exhausted its internal reserves, *asked Daiwa Securities, with* which it had close ties, to help with its rehabilitation plan.

Daiwa in turn, looked to the Brunei government, with which *it* has personal ties, to rescue Century, and ended up buying 8m shares, or a 20 per cent stake, injecting Y1.4bn capital into the small broker.

However, while financial aid *by wealthy outsiders may keep* the dwindling smaller houses from failing, it will not mean a dramatic recovery in the brokers' earnings, unless the market recovers sharply and the problem of over-capacity in the industry is solved.

Unlike the Big Four brokers, which have managed to diversify their sources of profits to *areas such as proprietary trad*ing and underwriting, small brokers rely heavily on stock*broking commissions* from retail investors. Since the Tokyo stock market hit its peak at the end of 1989, share prices and trading volumes have collapsed.

The prolonged slump has hit the small houses, which chose to weather the storm and have been slow in cutting costs. For three years in a row, they have based their profit forecasts on optimistic predictions of daily average trading volume at *400m to 450m shares* – break-even levels for most of the smaller brokers.

The actual volumes have been around 350m shares or lower, and many of the small brokers have faced losses. The Big Four, on the other hand, have lower break-even points, and have also pressed ahead with their cost-cutting plans, trimming overtime and bonus payments, and through reduced depreciation charges.

Nomura, for instance, lowered its operation costs from Y30bn at the peak of the market, to around Y20bn. The company reckons that it can post profits on a parent level even with daily average trading volumes at 250m shares. A new profit-evaluation system is expected to raise cost-consciousness among employees.

With *retail* investors, their main clients, sitting on the sidelines, smaller brokers are *likely to continue to experi*ence tougher times. Mr Mark Faulkner, financial analyst at *SG Warburg in Tokyo, says* expenses have to fall by at least 15 to 20 per cent for the smaller brokers to post profits. "The big picture has changed and their corporate structure is inappropriate for the current financial environment."

Many of the brokers have said they will freeze recruitment and personnel reshuffling, *shifting* employees to affiliates and subsidiaries. Some have tried to cut their costs on infrastructure including computers, which they built up heavily during the late 1980s, by agreeing to share back offices with each other.

However some analysts expect positive results from *cost-cutting measures to be* harder to achieve amid the decline in market share of the *smaller* brokers. "*Declining* market share highlights the possibility that some of these firms may no longer be economically viable, particularly those for which equity brokerage is the main focus of business," says Ms Alicia Ogawa, analyst at Salomon Brothers in Tokyo.

Emiko Terazono

Their operating expenses (%)	March '90	March '91	March '92	March '93	March '94
Big Four	53.1	72.7	98.1	104.2	86.8
Middle Tier	73.9	98.4	155.0	176.0	150.8
Others	70.2	90.9	121.1	151.3	104.9

Table shows operating expenses, as a percentage of operating revenues, of brokers listed on the first section of the Tokyo Stock Exchange.
Big Four: Nomura, Daiwa, Nikko, Yamaichi. Middle Tier: Sanyo, New Japan, Kankaku.
Source: Salomon Brothers

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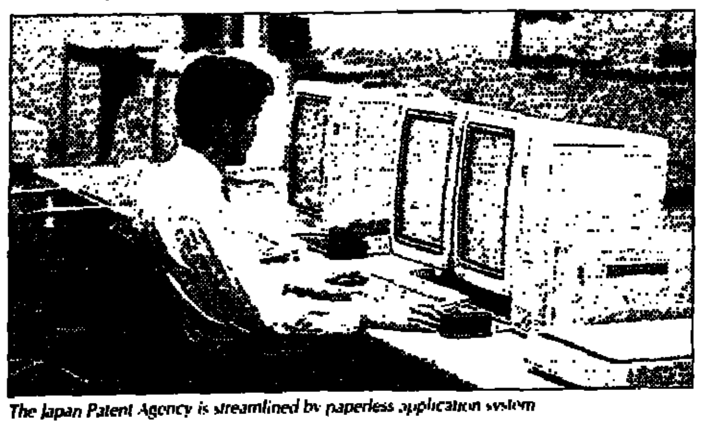

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Other noteworthy examples include design and installation of Japan's largest on-line network, the national postal saving system, linking over 24,000 post offices nationwide, and creation of a computer service for Japan's social insurance system, covering 100 million people and handling almost 1 million transactions a day.

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A good place to be — David Hayes

Emiko Terazono examines the big banks' enthusiasm for Asia

Rising yen prompts moves

In an attempt to cover sluggish loan growth in Japan, the country's banks, which curtailed their international loan growth following the burst of the economic "bubble" of the late 1980s, are once again returning to the overseas markets.

The bulk of this lending growth has come from Asia, where the high economic growth and the sharp appreciation of the yen have increased demand from both Japanese and local businesses.

Last September, at the end of first half of the current business year, the banks' exposure to Asia had risen 12 per cent since the same point in the previous year, breaching the $100bn level for the first time, according to Nihon Keizai Shimbun, the economic daily newspaper.

The leading banks have opened new offices in Thailand, China, Malaysia, and Vietnam, with Asian outlets accounting for all applications to the ministry of finance to open foreign branches during the past six months.

In contrast, reflecting the capital investment slump, domestic loans for the leading 11 city banks fell for the first time in decades.

Due to the yen's rise, an increasing number of Japanese companies have been forced to shift their domestic production bases to Asia, while the rising credit-worthiness of Asian companies and governments has increased opportunities for the banks.

The demand from Asia for funds to finance the construction of industrial infrastructure to enhance economic development has grown sharply. The value of loans syndicated for Asian countries in 1993 totalled $29.2bn, while project finance loans totalled Y14.8bn.

The Japanese banks' Asian loans to Japanese companies rose 8 per cent, while lending to local businesses and national infrastructure projects in Asia grew by 15 per cent. At September last year, Asia accounted for 26 per cent of foreign loans, as did Europe, while North America's share came to 39 per cent.

The Japanese banks, however, face fierce competition from western counterparts. European banks have a traditional foothold in Asia, while US banks, including Citibank, are aggressively expanding in the region.

The rise of local Asian financial institutions has also led to heightened competition in the region. According to the magazine Asiamoney, in 1993, Asian banks from Hong Kong, South Korea and Singapore led the list of leading arrangers of syndicated loans and project finance by value.

□

The leading question is whether the Japanese banks will resume their traditional strategy of trying to increase market share by keeping their profit margins razor-thin through offering clients low rates.

In the past, their international expansion has been accomplished in two phases. In the first phase, the banks followed their corporate clients overseas, which allowed them to contain the risk of their operations. In the second, they expanded their businesses by offering local companies sharply lower lending rates than their competitors. For instance, in the 1980s, UK building societies borrowed funds from Japanese banks at lower rates than funding from the bond market.

Some industry analysts believe that Japanese banks are aware of the criticism within the international financial community towards such tactics. "They seem to have learned something about expanding market share and destroying profit margins," says Mr Mark Faulkner, analyst at SG Warburg.

Japanese corporations face more pressure to improve their return on capital, as investors and the financial media have started to focus on the efficient use of corporate resources rather than market share.

The Sakura Institute of Research points out that, even if Japanese banks resort to low rates in an effort to attract business in Asia, it may not be enough to give them an edge over the competition. Asian companies and government organisations are more aware of fund raising through global financial markets by using sophisticated products, and they are starting to demand financial services that are comparable with those in the developed financial markets.

"Japanese banks have ample capacity to supply funds with their large assets and fund-raising ability, but they still have to improve their competitiveness in areas such as financial know-how and leading-edge financial technologies," says Mr Kenichi Takayasu, researcher at Sakura Bank.

Profile: **Jiro Saito**

A stoic lifestyle and a mission to keep the nation out of debt

In a country where authority rests with the group rather than the individual, and decisions are usually made by consensus, one man stands out for the enormous power he wields over crucial aspects of Japan's national policy.

Mr Jiro Saito, administrative vice-minister of finance, has been dubbed "the most powerful man in Japan," and is both respected and feared for the tremendous influence he commands in shaping key government decisions.

The pale-looking, bespectacled Mr Saito, who has the bureaucrat's sombre demeanour, has attracted more public attention – most of it antagonistic – than perhaps any other finance bureaucrat in recent history.

Although ostensibly it is the finance minister who has ultimate responsibility for matters relating to the nation's finances, the politically-appointed minister is like a puppet shogun, whose power is more symbolic than real.

Few finance ministers have had the temerity – not to mention, command of financial matters – to stand up to the decisions handed up to them by the brightest among Japan's elite, in accordance with the country's bottom-up decision-making tradition. As the highest-ranking bureaucrat at the MOF, it is Mr Saito who holds the power.

In common with all high-flyers in the finance ministry, Mr Saito, aged 59, graduated from the law department of Tokyo University, and immediately joined the ministry's celebrated budget bureau, which is considered the nucleus of power within the mighty MOF. Those who do not make it to the budget bureau are said to be written off from the ministry's fast track.

After postings in various departments and two tours in Germany, he made his way to the prestigious post of director of the budget bureau, from whence he ascended to his current position.

Within the MOF, he is widely respected as a highly capable leader with firm beliefs. "Saito is a man of strong convictions who actually acts on what he believes in," says one finance ministry official. "That is not an easy thing to do in the face of enormous pressure from politicians," he adds.

Mr Saito's overriding goal has been to ensure that the nation's current account does not fall into deficit. He is credited with having masterminded the zero-ceiling and minus-ceiling principles in the early 1980s, which required ministries and agencies to keep their budgetary requests below the previous year's allocation. Helped by such measures, the government was able to stop issuing deficit bonds in 1990.

His unbending commitment to keeping the nation from falling into debt is admired in a ministry where the need to maintain sound finances is preached with religious fervour.

Mr Saito is also respected by his colleagues for his somewhat stoic lifestyle. He is said to shun the two most common social sins of the Japanese salaryman – entertaining and golf – and to find pleasure instead in the board game of goh and mystery novels.

His style goes down well with MOF bureaucrats, who are used to working late into the night at the ministry and must often pay their taxi fares out of their own pockets after the last train has departed. Finance bureaucrats, whose mission is firmly fixed on the business of guarding the country's purse, see a mirror image of themselves in Mr Saito, whose lack of social skills "is very representative of the ministry," says one grey-suited MOF man.

Jiro Saito: Japan's most powerful man? — Reuter

Outside the ministry, however, the sharp-eyed Mr Saito has frequently been portrayed by the popular media as public enemy number one. For all his abilities and hard work, he has won few friends among the public for what might be considered a commendable commitment to keeping the nation's finances balanced.

Instead, Mr Saito has come to symbolise what is seen as the undue influence of the finance ministry over public policy. Debate over the merits of his aims and methods has more or less been sidelined by criticism of the extent of power he appears to exercise.

He is widely blamed, for example, for the welfare tax fiasco in February 1994, which led the former coalition government headed by Mr Morihiro Hosokawa on a road to eventual downfall.

The common perception has been that Mr Saito was the man behind the idea to replace a 3 per cent consumption tax with a welfare tax of 7 per cent, which was announced late one night by Mr Hosokawa. The proposal stunned the public, and caused a serious fissure within Mr Hosokawa's coalition government.

The incident secured notoriety for Mr Saito as the man who tried to obtain a hefty tax increase from the Japanese public at a time when many people, suffering from the impact of a prolonged recession, had serious concerns about what the future would bring.

It also left a lasting impression of the finance ministry's backroom manipulation of decisions, which many believe should be made by politicians.

From that perspective, Mr Saito's increasingly conspicuous influence over policy decisions is a consequence of the relative weakness of the current coalition government. In the absence of strong political leadership, the finance ministry, led by Mr Saito, has been able to enforce its will unchecked, says one bureaucrat at another ministry.

As Mr Saito, whose influence and ability have been the focus of much public attention, steps down from his post this summer, his term in office nevertheless raises the question of what end his power has actually served.

In the prolonged recession, the Japanese government has had to resort to deficit bonds to pay for tax-cuts it introduced as part of an economic stimulus package. As one of his colleagues mused, given his unbending commitment to keeping the nation's finances balanced, it is ironic that, during his time at the top of the ministry, historic circumstance has forced Japan once more to issue the deficit bonds Mr Saito so hates.

Michiyo Nakamoto

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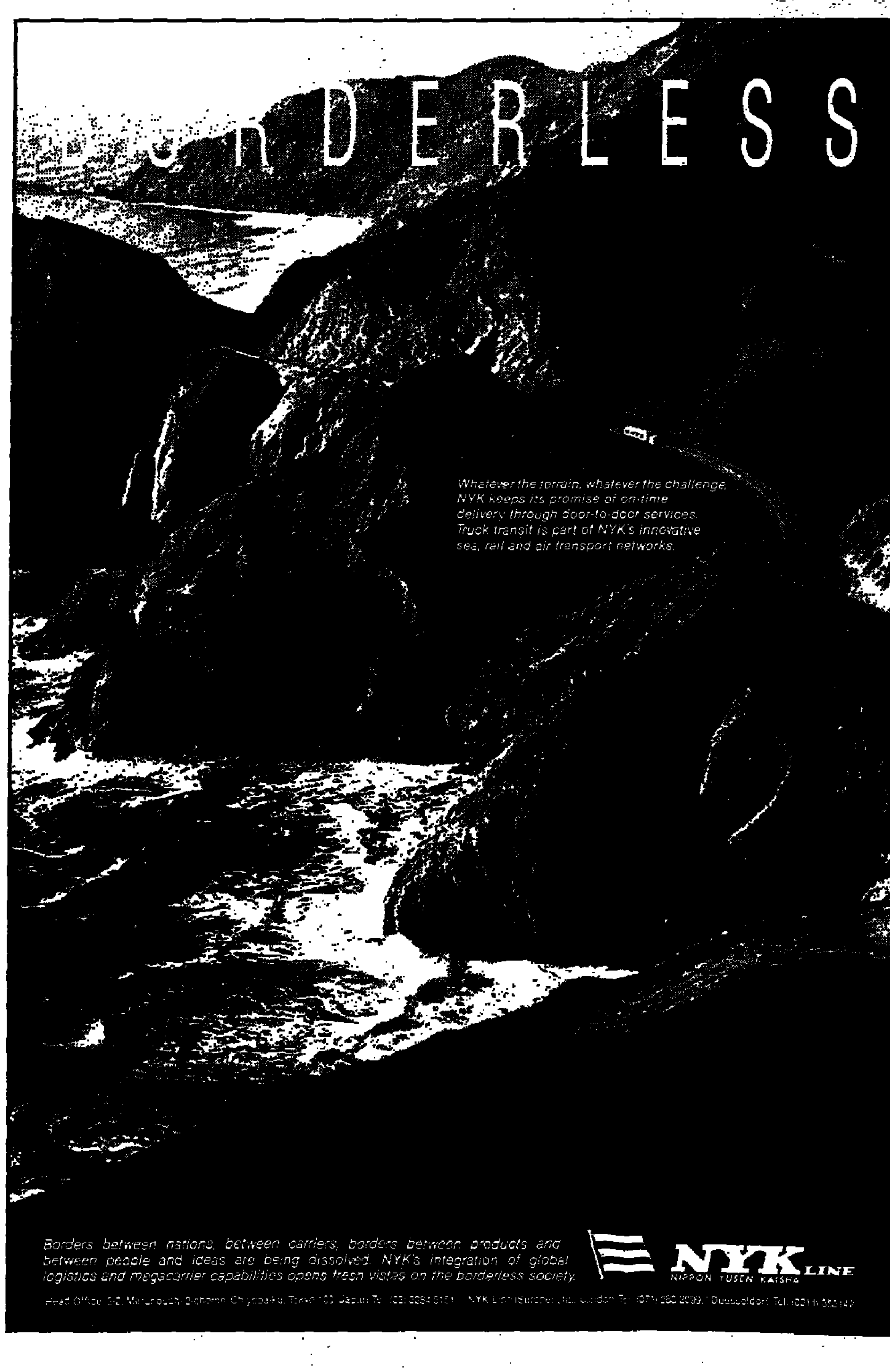
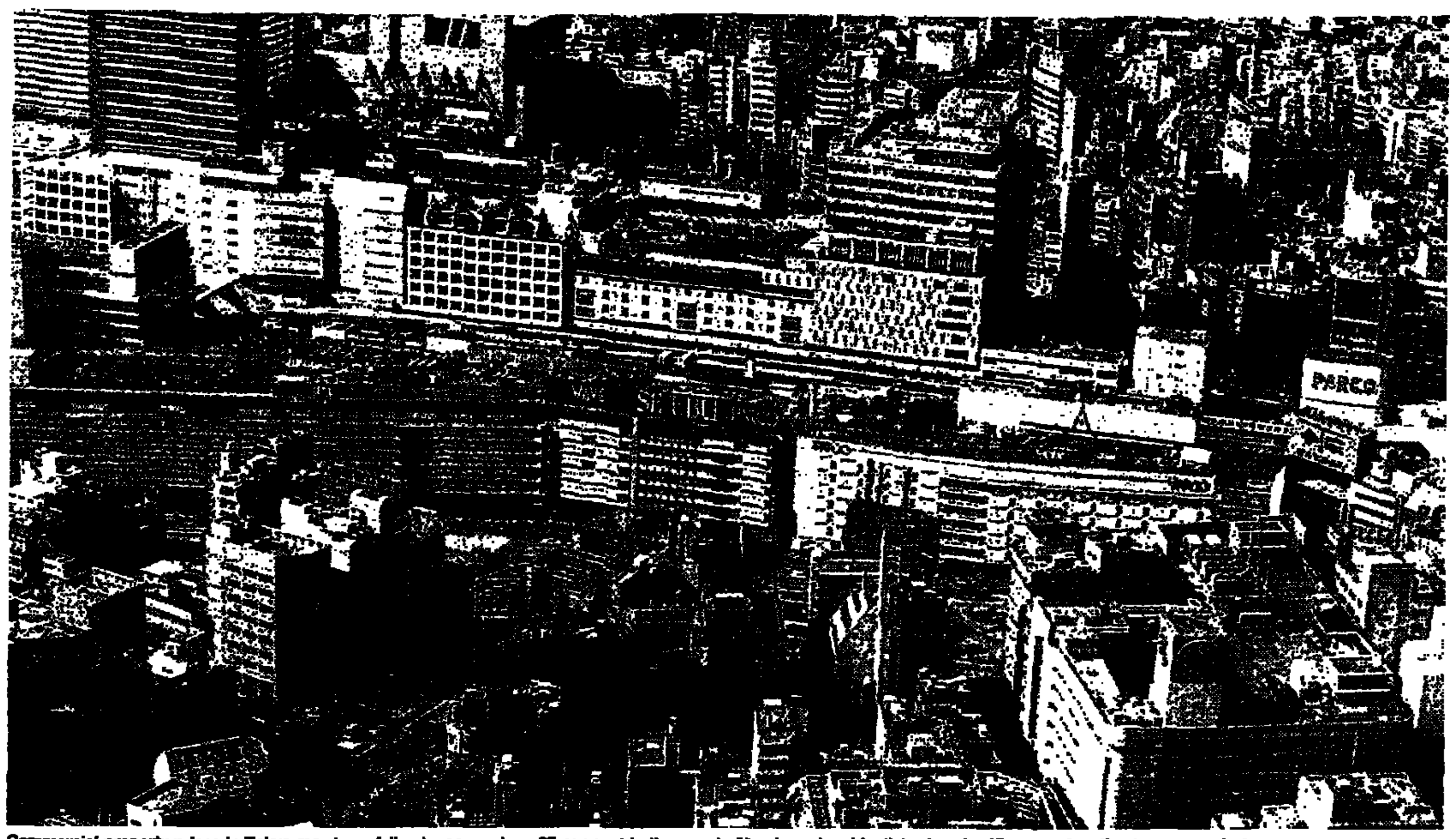




Commercial property prices in Tokyo may have fallen by as much as 25 per cent in the year to March, and residential prices by 15 per cent, estimates one analyst UPP

Real estate: **William Dawkins** unravels the prices paradox

A lesson from the OECD

Japanese property prices are a paradox: too high and too low at the same time.

The fall of roughly one-third in land values, since Japan's asset price bubble collapsed in 1991, is the main factor in the banking system's weakness, its continuing burden of property-related bad debts.

Yet even after the property price decline, unprecedented in post-war years, the country's land values are high enough to constrain private consumption and hinder an already weak economic recovery.

So much so that the Organisation for Economic Co-operation and Development (OECD), in its most recent annual report on the country, singled out sky-high land and property prices as being responsible for many of Japan's economic problems.

The Tokyo government has promised to take the message to heart in its five-year deregulation programme, to be published shortly. The package is expected to include measures to ease some of the ownership and urban planning rules that contribute to high prices.

The signs are that, even after four consecutive years of decline, Japanese property prices are not yet at the bottom. They may even even be heading for a fresh plunge, warn property analysts in Tokyo. Economic growth generally is still too weak for demand for commercial property to increase. The devastation wrought by the Kobe earthquake has shaken demand for cheap condominiums, the only type of residential property to show a brief price recovery last year.

Tokyo commercial property prices may have fallen by as much as 25 per cent in the year to March, and residential prices by 15 per cent, estimates Mr Mark Brown, property analyst at Barclays de Zoete Wedd in Tokyo. Nationwide, he expects residential and commercial property prices to fall by something under 10 per cent this year.

That compares with the 4.8 per cent fall in residential property prices and 11.3 per cent decline in commercial property prices recorded by the National Land Agency in the year to March 1994. Judging by the difficulties experienced by banks in finding buyers for property collateral on their bad debts, property prices have yet to hit a market clearing level. Provincial property markets were spared the violent price swings that hit the Tokyo market, but they too are caught in the price slide.

The need to lay aside nine times average annual income, to buy a small home, helps make Japan's savings rate the world's highest, says the OECD

Yet even at these historically low levels, Japan's property prices remain among the highest in the world. The OECD's report argues forcefully that more deregulation of the property market would reduce business costs, increase the quality of life and boost consumption, with lasting benefits for the economy.

The need for people to lay aside nine times average annual income, at today's prices, to buy a small home, helps to keep Japan's savings rate the highest in the world, so inflating its politically troublesome current account surplus, the organisation points out.

High land prices also explain why Japan's overburdened infrastructure is well behind its economic wealth. Only 44 per cent of homes are connected to sewers, and Tokyo people have only 2.5 square metres of parkland a head, less than a tenth of the green space available to Londoners, estimates the OECD.

Equally, high land prices indirectly add to Japan's politically troublesome current account surplus, argues the report. It cites the cost of commercial space as a barrier to investment by small and medium-sized foreign companies (though not multinationals) – one reason why foreign corporate investment in Japan runs at one twentieth of Japanese investment abroad.

By any measure, Japanese land prices are further above international norms even than its consumer prices, on average 80 per cent above the OECD norm. At $1,800 a square metre, the mean price of Japanese residential land is more than 12 times that in the UK, the most expensive in Europe, says the OECD.

The Japanese government aims to reduce house prices to five times average income from the current nine times income. But to achieve this, another 21 per cent fall in values is needed, estimates the OECD. It is possible that the property market is heading in that direction under its own impetus. But the organisation is certain that existing government policies will not be enough to bring prices down that far.

Accordingly, the OECD recommends radical changes to the tax system, to make land more expensive to hold and cheaper to sell. It also calls for more flexible land-leasing laws, to make it easier for landlords to change the use of properties.

All this would enable a more efficient, and concentrated, use of land, an improvement on the loose sprawl of low rise buildings that characterise most Japanese cities. That, in turn, would increase the turnover of the depressed property market.

For, contrary to popular myth, urban Japan is not particularly crowded, just poorly planned. Tokyo's population density, for example, is less than one-sixth that of central New York City. The population density of urban Japan, at 2,900 people a square kilometre, is about the same as that of the Netherlands and less than those of Greece or Portugal.

Astonishingly, 15 per cent of the land area of Japan's three largest cities is farmland, double the housing area, says the OECD. On top of that comes a substantial acreage of vacant parking areas and derelict industrial sites.

City populations are high, because cities are more spread out than their OECD counterparts. Japan's largest cities sprawl across an acreage equivalent to half its farmland; the proportion for the rest of the OECD is 8 per cent.

Urban Japan's under-used expanses exist partly because capital gains taxes on land decline the longer it is held, the annual tax on fixed assets is very low, and land transaction taxes are high. All this makes land cheap to hold and expensive to sell, a barrier to any property developer who wants to buy a large acreage and use it in the most efficient way.

Moreover, the law continues to give landlords no guarantee that they will be able to repossess property at the end of a lease. That gives existing landlords a clear disincentive to invest in more efficient use of typically under-utilised land.

It is as a result of these quirks in land-ownership laws that Japanese urban properties tend to be smaller than their US or European counterparts, and of uncertain value. The government, however, is unwilling to let those values fall too fast towards international norms. That would be another severe blow to the banking system, because of the link between the value of its assets and property prices.

Is Tokyo's future really as gloomy as some predict?

Pessimism may be a ploy to hasten deregulation

Last year, a new fear began to grip Tokyo. Having witnessed the shift of manufacturing industry to places with cheaper labour, Japanese financial, political and media circles started to voice worries that the country's financial system could likewise be "hollowing out" – losing important areas of business to other financial centres because of high costs and excessive regulation.

On the face of it, the evidence looked clear-cut. Trading in Japanese equities was shifting to London. Companies were choosing to list on stock markets in New York or Hong Kong rather than Tokyo. Foreign-exchange trading was happening more or less anywhere – Singapore, Hong Kong, the UK, the US – except Tokyo. The Barings debacle more recently drew attention to the fact that trading in Nikkei futures is more active in Singapore than the home market of Osaka.

Is the situation really as dire as the newspaper editorials would have one believe? A closer look at the facts suggests that it is not. Take the question of the shift of equity trading from Tokyo to London. True, London's share of the turnover in first-section TSE stocks has been rising steadily for the past year or two. But rather than indicating a real, permanent shift from Tokyo to London, this is probably just a temporary phenomenon.

Daily turnover on the TSE is at a historically low level, because of the despondent state of the market. Last year, about the only active investors in Japanese stocks were foreigners – who quite often chose to deal in their own time zone – for example, in London. As and when local investors return to the Tokyo market, the proportional significance of London trading will recede.

Admittedly, other areas have greater long-term problems; for example, the domestic Japanese bond market. It is cheaper for large Japanese companies to raise money from a Eurobond issue than a domestic corporate bond issue. Few foreign governments or companies tap the Japanese domestic market, and those which do are mainly from less developed parts of Asia.

"There is great demand for yen finance, but many borrowers go to the Euroyen market," says Mr Susumu Kato, chief economist with CS First Boston in Tokyo. "There are a greater number of investors for Euroyen than just yen bonds, particularly in Asian countries. It is partly because of the withholding tax for yen straight bonds." An antiquated settlement system and traditional reliance on bank borrowings rather than debt issues are also factors.

But is it realistic to expect companies wanting to raise yen automatically to come to the currency's home market to do so? Even the rival world financial centres of London and New York do not have a monopoly on dealings in their own shares or fund raising in their own currencies.

As Mr Peter Fenichel, president of BZW Securities Japan, says: "New York is not an international financial market. Most people don't finance themselves in dollars in New York." London is much more important as the centre of the Eurodollar market. "Why should Japan be any different?" he asks. "If Singapore becomes a viable, cost-efficient market, that does not diminish Japan, any more than London diminishes Tokyo."

The Japanese financial system's problems may have been exaggerated in an attempt to speed up the crawling pace of financial deregulation. Partly as a result of the publicity accorded to "hollowing out", a few more deregulation measures have been implemented, with more promised. Trading in new forms of derivatives has been introduced. Currency trading has moved to a 24-hour basis, rather than strict market hours.

The Tokyo Stock Exchange, worried by the large number of foreign companies delisting from TSE due to the high cost of keeping a listing and the low turnover, has launched a campaign to get Asian companies to list. To encourage them, rules for listing have been simplified.

But large portions of the two big stumbling blocks remain intact: taxation and regulation. High on the list of obstacles is the 0.3 per cent turnover tax on bond and share dealing. Commission structures need to be changed. Banks and securities houses would also happily see the back of innovation-unfriendly rules which mean that new products are regarded as forbidden until they are specifically approved.

Deregulation is happening, but very slowly. "The ministry of finance, the Bank of Japan, the Tokyo Stock Exchange have now pretty much agreed what the debate is – there is a broad consensus as to what the issues are. We are confident that, over a period of time, Japan will deregulate, but at a pace which feels proper for Japan," says BZW's Mr Fenichel.

There are forces working against it as well. Over the past year or so, the series of highly-publicised problems associated with derivatives (including Barings, Orange County and Metallgesellschaft) may have made the Japanese financial authorities feel their caution has been justified. But overall, the feeling is that deregulation is necessary and inevitable.

"If you don't have a domestic market that is vibrant and internationally competitive, you cannot be an effective international and global competitor," says Mr Thierry Porté, managing director of Morgan Stanley in Japan.

The debate over "hollowing out" is perhaps necessary, but a little over-pessimistic. "Of course, they are focused on hollowing out – Japan is in a recession," says Mr Fenichel. Tokyo's financial markets may be feeling a little hollow, in comparison with the feast of the late 1980s, but they are a long way from starvation.

As Mr Porté says: "Certainly the Tokyo market has its problems, but it is a very large market with very substantial investor flows. Even if the market was purely domestic, which it is not, it would still be huge."

Bethan Hutton

Bethan Hutton explains why the foreign community is restless

Exodus to Asia has slowed

Tokyo estate agents specialising in luxury apartments for foreigners have hit hard times recently. The steady flow of newly-posted American and European bankers and brokers has slowed to a comparative trickle, and what were once almost unlimited rental allowances have suddenly had strict limits imposed. A mood of belt-tightening among foreign financial firms in Tokyo is apparent.

Not only are fewer new employees arriving, but many have found themselves packing their bags earlier than expected, and heading either home or to other parts of the world where their companies hope business is better and costs are lower. Some have had to look for a new job altogether.

Mr Dereck Rock, of recruitment consultants Stephens Associates in Tokyo, says: "The Americans generally are moving high cost bases – i.e., non-revenue generating areas of the business – to Singapore, or out of Japan. And whilst they are doing that they are cutting them back – if there is a department of 16 in Tokyo, it won't necessarily be the same in Singapore."

For a while it seemed that the Tokyo foreign financial community was being transplanted wholesale to Hong Kong and Singapore. A combination of reasons lay behind the shift. The high cost of doing business and accommodating staff in Tokyo was an important factor. The less regulated and taxed markets of Singapore and Hong Kong had their own intrinsic attractions. And poor market conditions in Tokyo highlighted the relative vibrancy of other Asian markets.

But fashion is fickle. Mr Thierry Porté, managing director of Morgan Stanley in Tokyo, says that last year's trend of shifting staff to Singapore or Hong Kong is no longer happening to the same extent. "Asia outside of Japan was much more glamorous – but the boom seems to be stalled for the moment. There is some restructuring going on in all of those markets."

The cost advantages of other locations have also been eroded: the property collapse in Tokyo and the boom in Hong Kong mean that apartments in central Hong Kong are now more expensive than in Tokyo, and Singapore is heading in the same direction.

For a while it seemed the foreign financial community was being transplanted wholesale to Hong Kong and Singapore. But fashion is fickle

Significant Tokyo staff-cuts by large American companies such as Goldman Sachs have been widely publicised, and may have heightened the feeling that foreign financial firms were leaving Tokyo in droves. But it seems to be the case that, while some are scaling back or shifting staff elsewhere, others are expanding.

True, two large American securities firms – Prudential and Kidder Peabody – recently sold their seats on the Tokyo Stock Exchange, signalling their withdrawal from Japanese equities. But the seats were bought by two European firms – Paribas and Smith New Court – which are both expanding in Japanese equities. Smith New Court this month took advantage of Barings' problems to snap up 11 of its Tokyo analysts.

"There are companies, European companies, using the opportunities being presented by the fact that the Americans had a very bad 1994 and are cutting people, to build certain areas of their own business," says Mr Rock.

There is also some movement the other way: when S.G. Warburg pulled out of Eurobonds last year, the Tokyo Eurobond team had not even hit the streets before its members were picked up by other companies expanding in that area – Paribas, Lehman Brothers, UBS, and Bear Stearns.

The changing nature of the Japanese market may also throw up some new opportunities for foreign firms. Mr Jim Walsh, a Tokyo-based former banker turned consultant, says there is evidence that Japanese institutional investors' demand for research is increasing. In the boom years, research was almost irrelevant. As Walsh says: "The fundamental question was, is this company on the Nomura buy list?" That changed with the bursting of the bubble. Research is one of the strengths of foreign brokers in Tokyo, so they may be able to compete on a more equal basis than usual with domestic firms.

Mr Rock says: "Research is the primary function of the British houses, and whilst generally the Americans are cutting back on research, the British are not." Rather than spreading themselves thinly over the full range of business activities, companies are currently scaling back or dropping unprofitable or non-core areas to concentrate on products or markets where they have comparative advantages.

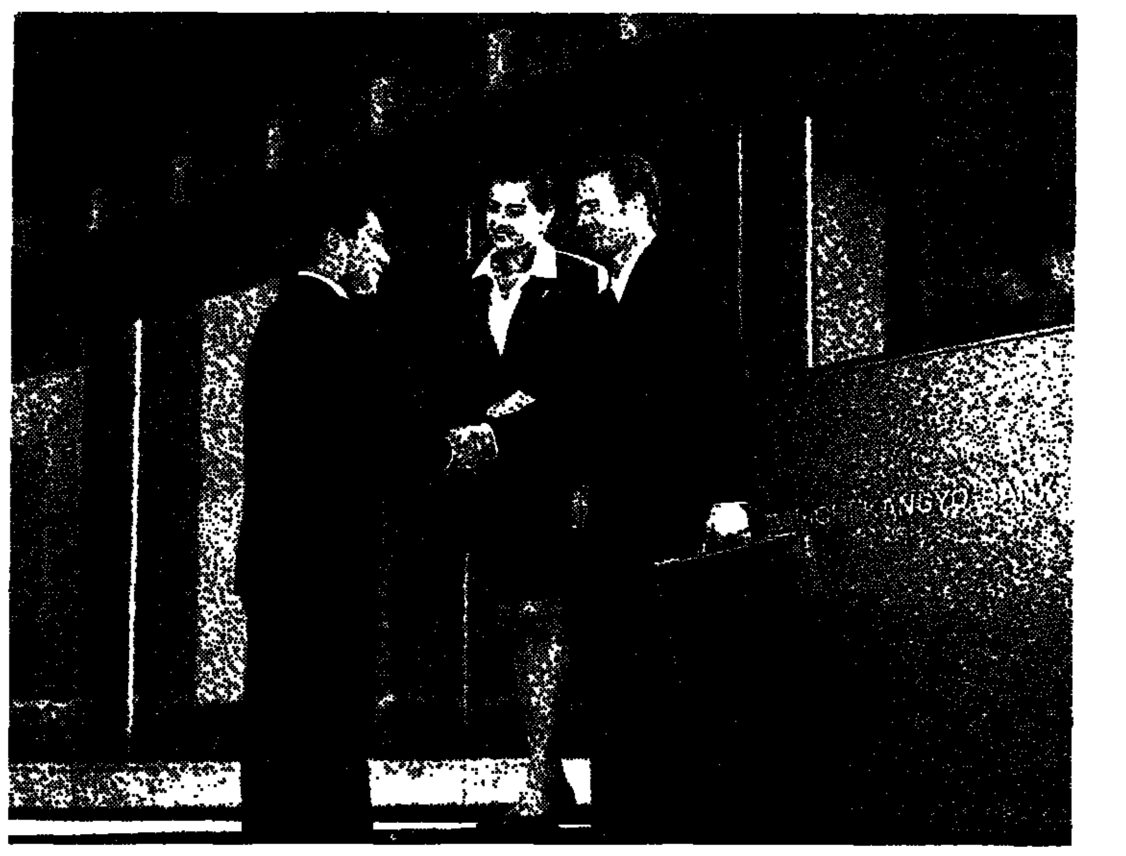
Foreign banks and securities houses are under no illusions that Tokyo is an easy place to make money at the moment. It is expensive, over-regulated, and over-taxed. But the long-term business arguments for staying put are still overwhelming.

"You are sitting in the equivalent of 70 per cent of the whole Asian economy here. It has political stability, no tanks in the streets. You don't have fraud and market manipulation, you don't have the problems you have in other parts of south-east Asia. This is not a market that can be ignored. If anybody is going to be in Asia, they have got to be here," says Mr Walsh.

As long as Japan has a large current account surplus, a high savings rate, and an enormous pool of assets, international financial companies will feel the need to maintain a substantial presence in Tokyo. And as Japan's links with Asia increase, its importance could grow rather than diminish.

The boom years are definitely over for those specialist estate agents, but they are not out of a job quite yet.

New markets? Then talk to Japan's financial expert.



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STG £ 280,000,000
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London Branch
Yen 5,000,000,000
3.1% Notes due 1996
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WestLB
WestLB Finance Curaçao N.V.
Yen 10,000,000,000
3.25% Notes due 1996
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Westdeutsche Landesbank Girozentrale
Bookrunner
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Norddeutsche Landesbank Girozentrale
Yen 10,000,000,000
3.15% Notes due 1996
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Yen 5,000,000,000
3.4% Notes due 1997
Bookrunner
Fuji International Finance PLC
August 1994

NORD/LB
Norddeutsche Landesbank Girozentrale
Yen 6,000,000,000
Step-Up Coupon Notes due 1996
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August 1994

WestLB
WestLB Finance Curaçao N.V.
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4.4% Notes due 2001
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Chief Commissioned Company
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Bookrunner
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INVESTMENT

Hedge fund easy rider

Andrew Arends on a motorcyclist's view of emerging markets

You're one of Wall Street's legendary investors and you're pushing 50. You feel like taking some time off – so what better way to do that "once in a lifetime" trip than to motorcycle round the world – through desert and jungle – with your blonde, twentysomething girlfriend – all the time keeping your eye out for investment opportunities in emerging markets to help defray the costs.

No, this is not Fantasy Fund Management, but the true story of Jim Rogers who, risking life and limb, rode his BMW around the world: from Killarney to Kazakhstan, through China, back to Ireland through Russia, then to Africa and through the Sahara down to the Cape, across to Australia, over to Chile and up through South America home to the US – 57,000 miles and 18 months on the road *en route* to becoming the Phileas Fogg of the Hedge Fund Set.

But then, Rogers has never been a run-of-the-mill financier.

A small-town boy from Alabama, he was educated at Yale and Oxford and has a rowing blue. He found fame and fortune with partner George Soros at the Quantum Fund from 1973 until 1980, when he retired at 37. He continues as a private investor and an engaging and contrarian market seer on American television.

Part travel guide, part investment survey and part romance, the story is set out chronologically, starting in the west of Ireland in March 1990 with Rogers and his girlfriend, Tabitha Estabrook, beginning their trek

> Investment Biker: On the Road With Jim Rogers by Jim Rogers, Random House, $25.00 (available in the UK), 393 pages

with just the bare essentials in the "International Investor's Tool Kit" – including a shortwave radio, tapes of *Eine Kleine Nachtmusik* and the Fine Young Cannibals, a stamp kit for forging entries in documents and cigarettes to bribe border guards.

It's a fascinating tale of off-the-beaten track places such as Samarkand in Uzbekistan with its breathtaking 15th century palaces and Jiayuguan, the western outpost of the Great Wall of China. Along the way, Rogers takes time to record pithy observations about the economic potential of these emerging nations and markets. For example, contrasting the methods of farming in western China and eastern Russia, he notes: "The Chinese had turned the same countryside into a garden that the Russians had turned into an eco-catastrophe."

"The Russians," Rogers summarised, "had set into action a system without accountability and were quickly reaping what they had sown" – concluding that China was a far better economic bet. But, Rogers cautions, anyone who invests in China needs good local connections, a "strong stomach for risk" and a very long-time horizon.

Running through the book as an ideological *idée fixe* is Rogers' palpable aversion to state controls and planning.

Countries such as New Zealand, Botswana, Chile and Argentina that have thrown off the shackles of socialism in favour of more market-based solutions are buys for Rogers, while Zaire, Ireland and Zimbabwe are sells.

There are some dramatic sides to the book with tales of crashes; a murderous French travelling companion in Africa; and Tabitha's resourcefulness in preventing another near-fatal encounter – this time with Shining Path terrorists at a petrol station in Peru.

Most emerging country investment managers rarely leave their desks, let alone get the chance to interview stock market officials in Botswana and Ecuador while dressed in leather motorcycle gear and then immediately investing through the one or two brokers in the country (the more nascent the stock market in one of his chosen countries, the greater the potential, opines Rogers).

And the recommendations he records in the book have proved successful. After he plunged into New Zealand in 1991 while in Auckland, the market has risen some 55 per cent to the end of January 1995 (according to Datastream) while the Chilean market has jumped some 130 per cent after Rogers roared through Santiago in August 1991, compared with a 17 per cent climb in the FT All-Share index and a 26 per cent rise in the Dow.

His shorts have also been good, with the Austrian market, panned publicly in an April 1990 speech in Linz, falling 40 per cent since then. Rogers is very bearish on Russia.

The travel scenes make *Investment Biker* a lighter read than, say, Graham and Dodd's *Security Analysis*. And, although it is not really an investment handbook for emerging markets, investors with an interest in those markets would be well-advised to heed Rogers' views on the nature of the risk and the length of the time horizon needed to reap the benefits on those investments.

Perhaps, in 10 or 20 years' time Rogers or someone else will retrace his steps to see what has happened in these markets – as it is over such a time frame that the success or failure of economic development needs to be measured.

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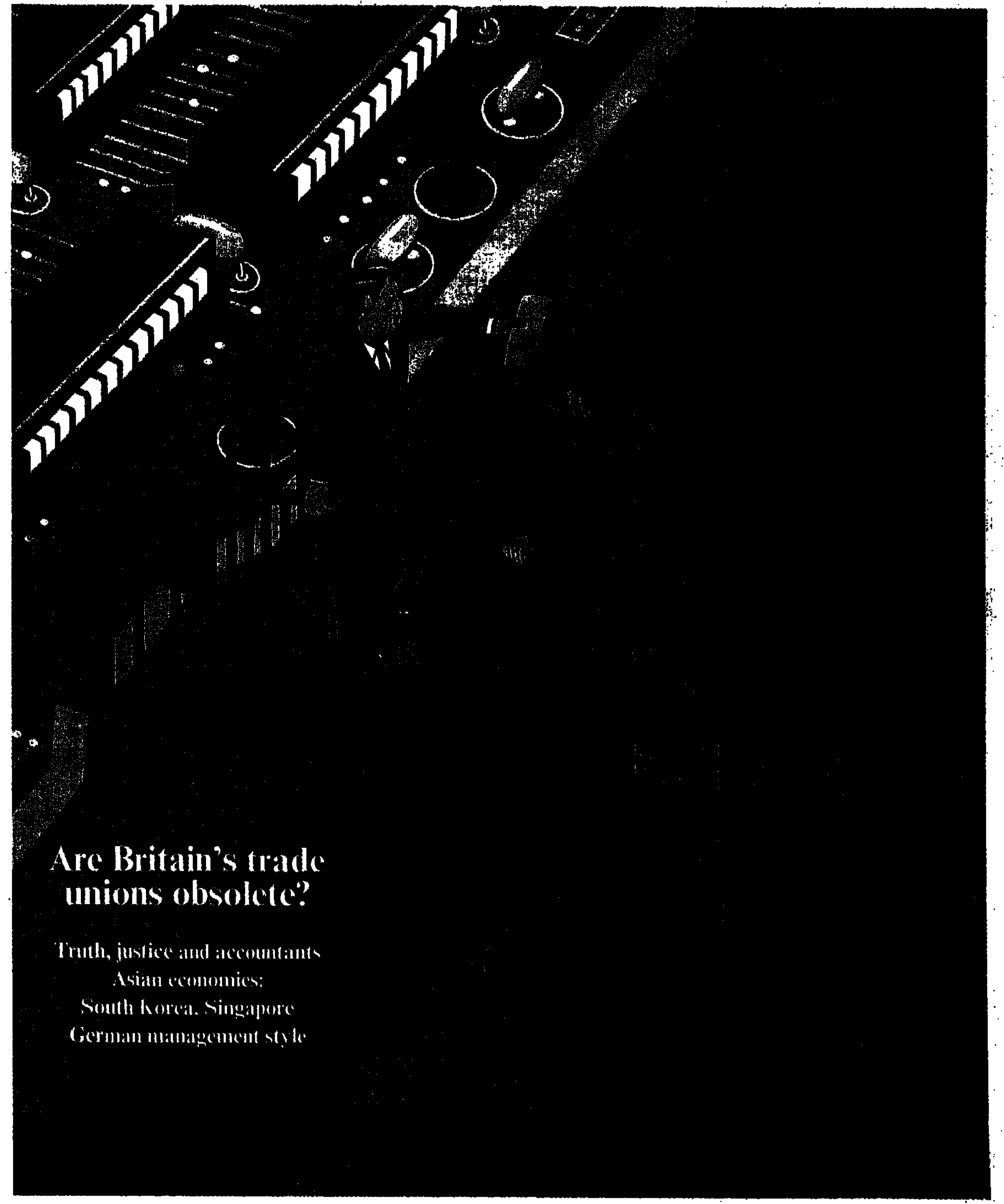

THE CITY

Heyday of the banking purple

***David Kynaston** reviews a pioneering study of the turn-of-the-century financial world*

The City of London between 1890 and 1914 was probably the greatest financial and commercial centre the world has ever known – exporting capital to all quarters, financing much of global trade and running the international gold standard. In every sense, these were the City's golden years, and Winston Churchill's ill-judged, ill-fated return to gold in 1925 was essentially an attempt to turn back the clock.

Yet until now we have known surprisingly little about most of the men who ran this complex, interlocking mechanism. Youssef Cassis, in this pioneering study full of telling detail and perceptive analysis, does much to change that. The engine of his book is a sample of 460 leading bankers active in these years, in effect a collective biography of the City. Casting a capacious but tightly-drawn net, this is prosopography on the grand scale, if lacking something of the intellectual excitement of, say, Syme on Augustan Rome.

The picture Cassis draws of the turn-of-the-century City is nonetheless a suggestive one. Fundamentally, he sees it as a two-class system: on the one hand the City's hereditary aristocracy (merchants, merchant bankers and private bankers) who came from firms where the private partnership structure remained supreme and who in their ample spare time

> **City Bankers, 1890-1914**
> by Youssef Cassis
> Cambridge University Press, £40, 350 pages

occupied the boards of the main banks, insurance companies, investment trusts and, above all, the Bank of England itself.

On the other hand, the men who did the real work (usually the general managers) running the large joint stock banks which were the sleeping giants of this period and who were, for all their formidable resources, still regarded with suspicion by the City aristocracy as provincial *arrivistes*. The old order's pet hate was Edward Holden – self-made, Lancastrian and a Liberal to boot. The architect of the Midland Bank as a major force, he found it gallingly difficult to penetrate the City's inner circle.

Unlike Holden, most of the "460" were born to the banking purple, and Cassis depicts an enviable trajectory: education at public school and/or Oxbridge; a London address at Mayfair or Belgravia, usually in tandem with a few thousand rolling acres; membership of the Carlton Club; every prospect of marriage into the landed aristocracy; and a fortune of between £100,000 and £500,000, say £5m-25m by current values. These, in short, were "gentlemen capitalists" writ large. Those who, according to fashion, doubt the concept should ponder the evidence of this book.


Queen Victoria Street in 1897, when the City had a two-class system

It was a metropolitan, indeed cosmopolitan, life-style that rarely intersected with provincial manufacturers, and Cassis broadly confirms the existence of a deep cultural and social, as well as functional, divide between City and industry. In particular, very few bankers were on the boards of industrial companies – quite unlike the much-trumpeted German system. Did it matter? Cassis offers a measured assessment and, as befits a Swiss, does not underestimate the wider economic importance of liquidity and banking stability, the core of the defence of the arm's length approach.

These late-Victorian and Edwardian bankers have also frequently been charged with enjoying – or being allowed to enjoy – an unduly privileged position in the larger policy-making process. Again, Cassis is sensibly sceptical. While fully conceding that many of his bankers moved easily and intimately with many of the leading politicians of the day, and demonstrating that on strictly economic questions the City's (not always coherent) voice carried considerable weight, his bottom-line contention is that "the overall vision of the 'average banker' rarely went beyond the horizon of his financial operations", and as a result the banking world left questions of general policy "entirely to the political class". He does not use the phrase "prisoners of immediacy", but that is his thrust.

He is surely right. On August 1 1914 the governor of the Bank of England told the chancellor of the exchequer that the City was "totally opposed" to British intervention in the war. Three days later Britain declared war on Germany. It was a disastrous development for the City, which only in the 1960s would even begin to recover its pre-1914 position; yet there is no evidence of any further attempt during those decisive days to shape its destiny. Instead, just as much as the most downtrodden factory hand, these international financiers found themselves at the mercy of events.

The omnipotence of bankers was one of many illusions that the guns of August shattered.

David Kynaston is writing a history of the City between 1815 and 1986, the second volume of which is published in June.

NATIONALISATION IN THE UK

The tide ran in favour

*Pragmatism was almost as important as ideology in postwar Britain, writes **Geoffrey Owen***

One of the charges made against the Labour government of 1945-1951 in Britain is that, for ideological reasons, it saddled the country with a raft of inefficient, monolithic, state-owned enterprises which imposed an increasingly serious burden on taxpayers and consumers until they were returned to the private sector in the 1980s.

Yet, as is made clear in this admirable collection of papers on the political and economic background to nationalisation, pragmatism played almost as large a part in the programme as ideology. Some of the measures could be seen as carrying to their logical conclusion reforms that had been made by Conservative governments in the 1920s and 1930s.

In the railways, for instance, the Railways Act of 1921 had brought about the reorganisation of the industry into four regional groups and by the late 1930s the influence of the government was pervasive enough for the chairman of one of the companies to observe: "The control of the railway industry by the state has reached a point at which accuracy can barely designate it as a private undertaking."

Within the prewar Conservative party there had been an influential minority, led by Harold Macmillan, which favoured corporatist solutions to industrial problems and did not rule out nationalisation as a last resort. The decision in 1939 to set up the state-owned British Overseas Airways Corporation reflected a widely-held view that wasteful competition in civil aviation should be avoided and that a subsidised national champion – which would always buy home-produced aircraft – was in the country's best interests.

The nationalisation of coal came about, at least in part, because of an almost universal belief that the industry had failed the nation in the interwar period. Two government inquiries in 1919 and 1925 had damaged the image of the private mining companies, which were thought to be unable or unwilling to carry out the necessary reorganisation. David Greasley argues in his contribution to the book that the response of the mine owners to the difficult markets of the 1920s and 1930s had been economically efficient and that the industrial case for merging the companies into a single

> **The Political Economy of Nationalisation in Britain, 1920-1950**
> edited by Robert Millward and John Singleton, Cambridge University Press, £35, 325 pages

national organisation was weak. But the poor reputation of the industry, reinforced by pressure from the unions, made the momentum for public ownership unstoppable.

Nationalisation, says Greasley, was "more an expression of discontent with the past than a blueprint for the future."

In the so-called natural monopolies the decision to nationalise was driven partly by an exaggerated belief in economies of scale, partly by what Martin Chick describes as "wider and vaguer social ambitions". The creation of the Central Electricity Board in 1926 had set in train substantial productivity improvements and any further reorganisation could have been achieved on a regional basis, perhaps involving a mixture of public and private ownership.

But there was a feeling even within the wartime coalition government that the resistance of vested interests would call for more drastic measures; as a senior minister put it in 1942, "there surely comes a time in the history of a nation when he who tinkers is lost".

In gas, too, alternatives to nationalisation, involving private ownership and regulation, were available, but there was no serious attempt even among the employers to work out in detail how they could be made to work. According to John Wilson, it was the government's belief in "the moral and political correctness of public ownership" which swung the debate.

There was, of course, a strong anti-capitalist element in the Labour party which had found expression in Clause Four of the constitution, calling for "the common ownership of the means of production, distribution and exchange".

Aneurin Bevan, like others on the left, thought that nationalisation would produce a gradual change in the attitudes of managers and workers to each other, leading to full democratic participation in decision-making and "that spiritual homogeneity that comes when the workman is united once more with the tools of his craft, a unity that was ruptured by the rise of the economic classes".


Miners in East Lothian playing cards during the 1926 general strike

The strength of the "Clause Four" faction seems to have tipped the balance in favour of the quite unnecessary nationalisation of steel, where Herbert Morrison and other ministers would have preferred a compromise solution. In this and other cases there was a remarkable amount of wishful thinking about the virtues of size, combined with a lack of interest in the management problems which would face the new large public corporations.

Ruggero Ranieri draws an interesting contrast between the Labour government's incoherent approach to steel and the treatment of the sector in France, where the modernisers, led by Jean Monnet, had a much clearer insight into the industry's problems and how they might be solved.

More international comparisons of this sort would have been helpful, but in other respects this book provides a comprehensive and readable guide to an important episode in Britain's post-war industrial history.

One of its strengths is that it deals with industries which the government might have nationalised but did not; these included cotton textiles and motor vehicles, where public ownership was considered and rejected on the grounds that it was irrelevant and probably harmful to the immediate priority, which was to achieve a rapid increase in exports.

As for the utilities and other basic industries which were taken into public ownership, the authors make it clear that the tide in favour of stronger government direction had been running strongly well before Labour's election in 1945. Nationalisation was an idea whose time had come and it was to take another 30 years before the proponents of competition and deregulation, marginalised in the late 1940s, reasserted themselves.

Sir Geoffrey Owen is director of the business policy programme at the London School of Economics and Political Science.

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MANAGEMENT

Sparing humour in the workplace

*Practices in Germany differ profoundly from those in the UK, writes **David Waller***

The production manager of a UK brewery knows how to defuse tension at important meetings. He puts on a Groucho Marx nose and moustache and blows a whistle.

This would not work so well in a German brewery. Contrary to popular belief – in the UK at least – Germans have a sense of humour. But, the authors of a fascinating study of middle managers in Germany and the UK conclude, humour is used much more sparingly in the German workplace than in the UK.

In the UK, jokes are used extensively as a way of taking the edge off brusque instructions, of cancelling any suggestion of authoritarianism. They will be used in sensitive situations to soften a blow or discharge tension.

"Humour," the authors observe, "is used as a channel for making oblique statements which avoid head-on assertion. It is the natural instrument of ambiguity."

Humour, ambiguity, obliqueness – these qualities are not prevalent in the German workplace.

German managers communicate with their subordinates in a direct, unambiguous manner. They make more phone calls than their UK counterparts, but these conversations last less time than in the UK. Meetings are highly structured and also take up less time than in the UK.

German managers, unlike in the UK, do not feel the need to "win over" colleagues with silken words and sales techniques.

They owe their authority to self-evidently superior technical skills and experience, which make subordinates naturally inclined to respect their commands. The German working environment is more hierarchical than in the UK – but German managers are not authoritarian. They take pride in being seen as an ordinary members of the workforce, rather than as superiors.

They see no distinction between doing a technical job, and being managers. In the UK, by contrast, "technical work is seen as something to be abandoned in the search for promotion into management". This causes problems for UK managers who become distant from the tasks performed by the people they are supervising.

The lack of direct competence is underscored by the UK's penchant for mobility. The motto for UK companies could be: the more jobs, the merrier: a successful manager is one who has moved about a lot and who is willing to take on jobs for which he or she might not have any direct experience. In a

> **Managing in Britain and Germany**
> by Rosemary Stewart, Jean-Louis Barsoux, Alfred Kieser, Hans-Dieter Ganter and Peter Walgenbach
> Macmillan Press, £30, 226 pages
> **Simplicity Wins: How Germany's Mid-Sized Industrial Companies Succeed**
> by partners in McKinsey, Harvard Business School Press, $27.95, 206 pages

UK context, this flexibility is evidence of drive, lucidity and detachment.

In Germany, it would be deemed unpardonably lightweight: managers spend a lot longer in their jobs than their UK peers and companies "place a premium on the expertise and trust that builds up over a long period of time".

The book is based on a comparative study of three German and three British companies – two breweries, two insurance companies and two construction companies. It proves that it is not necessary to go as far afield as Japan to find management practices and assumptions which are profoundly different from those prevailing in the UK.

It should prove a useful practical tool for UK or US executives who find themselves working or negotiating with Germans. Germans tend to compartmentalise time and space more rigidly than their "Anglo-Saxon" peers, and these barriers should not be violated. It is downright rude to turn up late for a meeting or to barge into someone's office unannounced.

Distance is maintained by the use of the formal *Sie* rather than the familiar *Du* when addressing colleagues; it is virtually unheard of for Germans who work together to spend their free time together as well. Work and life must be kept separate from one another.

The book does not explicitly try to tackle the question of relative economic performance – ie how it is that Germany's economy has done so much better than that of the UK since the war. But part of the answer must lie in the Germans' structured approach to business and their reverence for craftsmanship and technical skill.

Academics often suggest that Germany enjoys a competitive advantage because of the phenomenon of the *Mittelstand*, the mid-sized companies which form the backbone of the German economy. *Simplicity Wins* seeks to offer an insight into what makes these companies successful.

The answer, according to McKinsey, is that the most efficient *Mittelstand* companies pursue a radical simplicity. This simplicity is said to characterise the strategy and implementation of companies which achieve better margins, profits growth and productivity than their peers.

Unfortunately, the book's arguments are both simplistic and rather complicated, spoilt by convoluted sentences such as the following: "The best performer will be the one that is best at implementing simplicity by strategic concentration, interface management and procedures for complexity management."

The study also ignores the human side to *Mittelstand* companies' success – namely that they are often run and owned by individuals. These *Mittelständler* are technicians and craftsmen rather than managers, passionately dedicated to both their products and staff.

MANAGEMENT PHILOSOPHY

Purpose plus profit

***Tim Dickson** reviews a volume of essays to mark a publisher's tenth anniversary*

Global markets, transforming technologies, intensifying competition and radical restructuring have combined to make the last 10 years a tough period for big business. Yet for just these reasons 1984 was a good year in which to launch a serious venture in business publishing.

The more uncertain the corporate environment, after all, the better it is for philosophers of change. The lonelier it feels at the top of large corporations, the more likely managers working there will turn to those who make sense of the present and draw patterns for the future.

Business publishing is so full of quack gurus peddling simple solutions, however, that it is a great relief when quality contributions hit the street. Such is the impact of this volume of essays commissioned by Harvard Business School Press to mark the 10th anniversary of its formation.

For readers only dimly aware of some Big Ideas of this period, pieces by (among others) Charles Handy, Michael Porter and Christopher Bartlett/Sumantra Ghoshal provide a highly readable if selective summary. At the same time, the 14 authors are all forward-looking, each from a different perspective and research base seeking to explain a world in which knowledge, not capital, is now the chief resource and where the corporation's role, viability and structure are in question as never before.

As one might expect, there are few glib answers – even a touch of humility here and there. There are many messages, often delivered in the form of new questions arising from what has not worked in the past rather than detailed prescriptions of what assuredly will in the years ahead.

"In the past decade directors have too often relied on stock market indicators as the only proxy of what is best for shareholders," observes Jay Lorsch, professor of Human Relations at Harvard Business School. "Given the realities of today's increasingly global marketplace, such reliance

> **The Relevance of a Decade**
> Harvard Business School Press, 360 pages

may actually provide competitors with advantages that will destroy shareholders' value in the long run ... Deciding what financial results are appropriate and how to balance the requirements of shareholders with those of other stakeholders continues to be the directors' most important challenge."

Bartlett and Ghoshal believe managers of the 21st century will take what they call the "strategy-structure-systems doctrine" that has shaped corporate development for more than 50 years "and subsume it in a much richer 'purpose-process-people-oriented management philosophy'." They also talk of defining a new company purpose that "reflects the company's responsibility to and interdependence with a broader group of stakeholders"; they suggest companies of tomorrow must build processes "that enhance collective relationships aimed primarily at creating knowledge and leveraging learning"; and that instead of using systems as a way to control behaviour by minimising human idiosyncracies "they will develop a perspective that treats people more as assets to be developed than as costs to be controlled".

This emphasis on purpose as well as profit pervades the essays. And while the cross-functional imperative is widely trumpeted – not least in an essay by Peter Keen on business and information technology – writers come from functional fields as varied as ethics, marketing, organisational behaviour, environmental economics and, of course, strategy.

I liked Frances Cairncross on "Green Ink: Economics, Journalism and the Environment" – a sensitive discussion of the conflict between high environmental standards and competitiveness and free trade. But my personal favourite was Porter's "Competitive Strategy Revisited: a View from the 1990s" in which he reviews his own ideas of competitive advantage in the light of more recent management theories.

He emphasises the "trade-offs" among different ways of competing, for example between relative cost position and differentiation.

Failure to recognise the role of these trade-offs, he argues, has been an unfortunate byproduct of ideas like Total Quality Management, time-based competition and flexible manufacturing that have promised to eliminate them. Most of these theories are primarily about improving operational effectiveness – the risk according to Porter is that they get mistaken for strategy.

The Relevance of a Decade (price $25) is not available in bookshops. To obtain a copy write to HBS, 60 Harvard Way, Boston, Massachusetts 02163.

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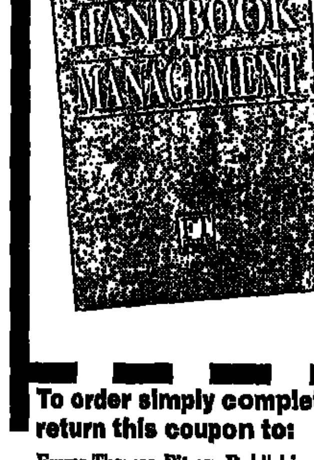

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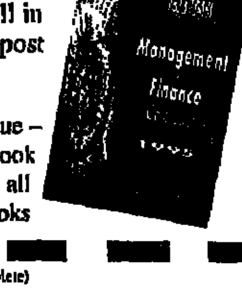

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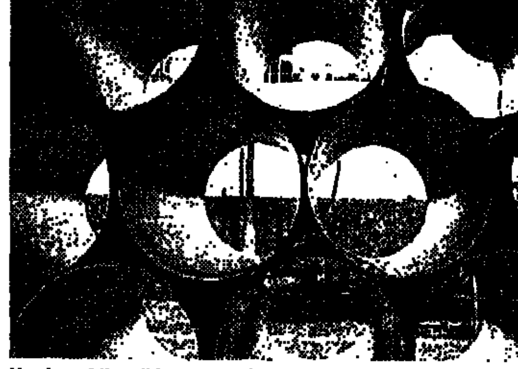
NORTH SEA OIL

Lost in the nooks and crannies

***Peter Marsh** says a definitive study has yet to be written*



Heyday of the oil bonanza: pipelines in Leith, Scotland *FT photograph*

In a couple of hundred years' time, just as today's historians like to mull over the lessons of the Industrial Revolution, chroniclers of 20th century Britain will no doubt produce reams on the story of North Sea oil.

But as Christopher Harvie points out in the introduction to his book, few contemporary writers have so far done justice to the enormity of the tale. *Fool's Gold* is *Harvie's effort to fill the gap.*

In it he attempts to bring together the full ramifications of how the oil bonanza happened and its effects on British life. The story has elements to interest most people: big and powerful companies; esoteric new technologies; billions of pounds in oil revenues flowing into treasury coffers; and the political impact of the oil boom on the 1980s governments of Mrs Margaret Thatcher.

Harvie's sweep is wide. He takes the reader on a kaleidoscopic tour of the oil industry, taking in boardroom drama along with the dangerous but often boring routine of working on storm-swept oil rigs.

His cast of characters includes industry roughnecks, smooth-talking executives, conniving politicians, Middle Eastern oil sheikhs and the beleaguered inhabitants of Scottish housing estates. Harvie attempts to link the treasury's economic treatises on the impact of oil to the lyrics of popular songs of the 1970s and 1980s.

It is an impressive effort, but disappointingly it must be counted as a failure. The faults are the book's haphazard structure and Harvie's profoundly unsettling prose style. The book roams around the nooks and crannies of the subject to such a degree that the reader frequently finds himself turning back to the introduction *to ask what it is supposed to* be about.

> **Fool's Gold**
> by Christopher Harvie, Hamish Hamilton, £18.99, 393 pages

Harvie's efforts at analysis are not helped by his writing technique, which consists of *laying down sentence upon* sentence in the way that a small and inexpert child might attempt to build a house from wooden bricks. Sometimes the effort succeeds, but more often than not it collapses.

Frequently, this disjointed writing is both ungrammatical and irritating, as in this passage: "Life's oldest struggle, going on in the car parks of the west after Saturday discos, was fought over, and by, petroleum derivatives: Revlon, Crimplene, Nylon, Lycra. And where technology and society were going was no more rational or predictable than sex."

Among other examples of horrible writing is this jewel: "The adaptation of defence electronics [to other areas of *industrial activity] was more* positive in the positioning, surveying and assessment branches. But here too this was essentially only realisable in terms of non-national organisation."

The book contains many banal and spurious passages, as in Harvie's sudden discussion of the eccentricities of Tony Benn in a general treatment of the politics of oil. He also lets himself down by using questionable sources for some of his statistics, which casts doubt on much of his economic analysis, and he comes badly adrift on some technical issues. For example, he seems to believe that computer power is somehow related to the *size* of silicon chips, and is unsure about when or whether Britain joined and left the European exchange rate mechanism.

Nevertheless, the book *raises some important* issues, such as the short-term attitudes of the City of London to wealth *generation, the relationships* between UK politicians and the huge and powerful oil industry, the general technological ignorance of many people in positions of power and the impact of the oil billions both in helping Mrs Thatcher prolong her period in power and in indirectly altering the size and structure of much of the UK's manufacturing industry.

But whatever the size of Harvie's ambitions, the definitive book on the story of North Sea oil has still to be written.

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ECONOMIC CYCLES

Appealing solution to world's mysteries

***Barry Riley** is interested – but not convinced – by the evidence*

In a dangerous and seemingly unpredictable world the idea that there is some regularity in the chaotic and mysterious progression of history is naturally appealing. But how much credence can we place in economic cycles? Many cycles have been detected, yet their *influence remains hard to* pin down.

William Houston's headline claim is that many of *the cycles will reach a low* point during the 1990s, with potentially disruptive implications. However, his predictive abilities have yet to be proven. His 1993 book *Meltdown*, warning of a great depression, failed to anticipate that the global economy would be expanding quite sturdily in 1995. Now he warns that the global climate will be turning cool and dry, although in many places it has turned out so far to be warm and wet.

The book is in fact mainly about climatic rather than business cycles. A 500-year weather cycle was identified in the 1930s by Professor Raymond Wheeler, and there is a 179-year cycle related to planetary movements which is supposed to trigger gravitational stresses on the earth's crust, leading to earthquakes and sun-blocking volcanic eruptions. Hence Kobe? A shorter weather cycle lasting 100 years has also been detected.

The Kondratieff cycle, lasting between 50 and 60 years, is a well-known but still controversial feature of *long-term commodity price* charts. There is a 22-year cycle related to sunspot activity, and of the many shorter cycles the best-authenticated are the Kuznets, of about 17 years, and the Juglar, of about 10. Moreover the earth's crust is said to be subject to the Chandler Wobble, of 6.2 years' duration .

In practice many of these cycles, if they exist at all, will fail to show up, perhaps because they cancel each other out or simply miss a beat. On the other hand, occasionally they may reinforce each other, supposedly a fate which now awaits us.

Although the book contains much interesting history, both ancient and modern, the evidence is circumstantial.

A crucial question not satisfactorily answered is whether agricultural commodity cycles are of much relevance in the modern world. In Europe, where many prices are fixed and surpluses have been the rule, price cycles are regarded as much less important than in, say, the US. *Perhaps this is* complacency. This is certainly the wrong moment to warn drenched northern Europeans about drought (though the parched Spanish would be more receptive). But it is a fact that the world wheat crop was down about 5 per cent last year.

That some kind of disaster will strike to coincide with the millenium is improbable. But that future historians will identify a big shift to new Asian growth centres in the early 21st century, triggering global political implications, is altogether more likely.

> **Riding the Business Cycle**
> by William Houston, Little Brown, £17.50, 290 pages

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EMPLOYMENT

Meaning of 'job' changes again

Richard Donkin on a book right for its time

The human effort necessary to move the great stone blocks used in the construction of the pyramids almost defies understanding today. With some relief we can assure ourselves that such toil could never be enforced in a 20th century western society, free from the shackles of slavery.

Yet William Bridges points to what has been achievable without the whip. Work at Microsoft, the US computer systems company, for example, is not arranged within conventional job boundaries but in a system of projects carried out by teams working to deadlines.

When 200 code compilers were assembled for the Windows NT program, it was as if they had entered some underground cavern and disappeared. They worked so hard to finish by the alloted deadline that some nicknamed the program the "death march".

As workloads increased, programmers began sleeping under their desks. One recalled dropping his son off at a Saturday morning soccer match. The boy told him: "I would throw away all my toys if you would be here after the game." The father did forgo work that day.

Some workers simply resigned. Afterwards, when the project had been delivered on time, reflecting on whether it had been worth the sacrifice, one of them admitted: "A lot of people were angry, tired and burned out."

It was Bill Gates, the 39-year-old Microsoft chairman who played the role of a latter day Pied Piper, taking his workforce away from their homes. And yet the technological advances made by companies such as Microsoft are reducing the human workload on society.

To take the Hamelin analogy further, is the price we must pay to rid the world of the need for as many jobs as before the disappearance of the livelihoods of those who did those jobs? Bridges believes it will still be possible to carve out a living in a society with fewer jobs but to do so, he says, people, businesses and governments will need to realign their approach to employment. Drawing inspiration partly from earlier work by business writers such as Peter Drucker and Charles Handy, Bridges has developed themes, which he has explored before, on transition from one kind of employment to another. Also, like Handy, he is no longer content to lend his ideas solely to managements.

Where this book seems to go further than its predecessors is that it questions the very future of jobs, daring to move so far beyond conventional wisdom that it verges on scaremongering. Perhaps it is a sobering thought to realise that we are terrified of losing what we call our jobs. There is no doubt, however, that Bridges is not so much writing about evolution as revolution in the way we work.

Investigating the language of work, he notes that the word "job" has its roots in medieval times, possibly as a variant of "gob", meaning a compact portion of some substance, a mouthful. Later its meaning expanded to describe piles of material such as hay or stable litter, evolving further to cover the task of moving the material until it was taken to represent any single piece of work.

Only later, with the advent of the industrial revolution involving organised daily work, did "job" come to take on its modern meaning. Today, argues Bridges, we are on the threshold of another jobshift in which the word is once more reverting to its former definition of a single task.

In this transitionary period the challenge for individuals is to redefine their workloads so that they may continue to find paid employment. Even managers are not immune from the changes. Where jobs, as we know them, no longer exist, neither will managers, he suggests. Their role will change, possibly to that of facilitator or co-ordinator.

After all, coping with change is not new. With an orthographer's love of language Bridges reminds us of what the unemployed medieval knights did as they returned from the Crusades. They became "free lances".

If his predictions are correct, and Bridges' book does not discuss the possibility that they may not be, governments will have to redress their view that having a full-time job is the normal human condition. This will mean re-assessing the legal and taxation systems that underpin this assumption. Bridges also dispenses advice on how individuals should equip themselves to survive in the post-job world.

William Bridges appears to have written a book that is right for its time. Ten years earlier and its arguments might have been dismissed as absurd. Ten years on, we may be wondering what all the fuss was about.

Jobshift: How To Prosper in a Workplace Without Jobs
by William Bridges, Nicholas Brealey, £16.99, 260 pages

SOUTH AFRICA

The whites' nightmare: losing control

J.D.F. Jones regrets that this fascinating book does not continue beyond the 1950s

In a season when the "New South Africa" is debating the very fundamentals of its economic structure and President Mandela visits the US to extol the virtues of private enterprise in astonishing, near-Thatcherite terms, the timing of this study of the country's long-established state corporations could hardly be better.

Nancy L. Clark is an American academic who has ventured into unexplored territory. *Manufacturing Apartheid* is a fascinating book so far as it goes, which is not far enough.

Her subject is to explain a paradox. "How did aggressive state enterprise fit into the picture of unfettered capitalism projected by the South African government?" she asks. So she investigates the origins of Escom (power) and Iscor (iron and steel) in the 1920s, and of the Industrial Development Corporation founded in 1939 – all fathered by H.J. van der Bijl – and touches only in passing on the later creation of Sasol and Foskor. Here lies the first disappointment: Clark does not carry on beyond the 1950s, which, since there would eventually be nine state corporations, makes her subtitle rather misleading.

That said, she has plenty of interesting points to make. Her thesis – her answer to the "paradox" above – is that successive South African governments were *not* hypocritical because the function of the state corporations was to provide materials and services to private industry at lowered costs, ie "to promote the private accumulation of capital" (on behalf, of course, of whites).

This point about serving the private sector is striking but seems to me to be only a part of the explanation. Clark surely underestimates the quasi-psychological need for "control" in a society where, since the beginning, the loss of control has been a nightmare prospect for the ruling whites: a state corporation by definition implies control by or for the state.

Secondly, *Manufacturing Apartheid* seems to understate the compulsive need of the Afrikaner founders of the National Party to seize the political and also economic reins of the nation on behalf of the Volk, which by definition meant taking them *from* the English.

One of the surprising characteristics of the state corporations which supports Clark's point is that they always managed to avoid political pressure to employ unnecessary numbers of expensive white workers: the IDC made a speciality of establishing industries in the remote corners of the country, Escom built a national grid so it could locate its mammoth power stations in rural areas where it could better control its large black workforce, and Iscor, always the problematical one, was eventually privatised. In all of this the corporations were following the model of the arch-capitalist mining industry in whose interest (argues Clark) they had originally been set up – an industry always based on large numbers of cheap, unskilled and rigorously controlled black labour.

What will be the role of the state corporations in shaping the New South Africa? Clark's publisher promises an answer, but she does not really deliver one in any depth or detail, which is not surprising since her research ends 30 years ago. "Any new government would want to continue using the state corporations to promote, control and direct the local accumulation of capital towards new constituent groups ..."

That doesn't take us very far as South Africa's politicians and businessmen argue the new Reconstruction and Development Programme. In 1988 the white cabinet announced the privatisation of the corporations; in 1990 it changed its mind. President Mandela has been making some very surprising noises, but he – and his successors – may yet have second thoughts.

Manufacturing Apartheid: State Corporations in South Africa
by Nancy L Clark. Yale University Press, £25, 226 pages

A show of force against President F.W. de Klerk before a 1992 referendum on whether to end apartheid

The oil boom in Nigeria - but the wealth was squandered

Ashley Ashwood

NIGERIA

Missed opportunity

Michael Holman on the slide into social malaise

Nigeria's roller-coaster ride to disaster should be a gripping tale. In a single decade Africa's most populous state went from boom to doom. Someone other than S. Ahmad Khan, however, will have to tell the story.

Its beginnings go back to 1956, when the first Nigerian oilfield was found in the Niger Delta Basin. In 1958, the first year production was about 5,000 barrels per day. By 1992, it was 1.85m bpd, nearly 3 per cent of world production.

By then, Nigeria was seized by a social, political and economic malaise from which it will take many years to recover. The rot set in during the 1970s. In the first year of that decade, Nigeria's annual oil exports were worth \$720m. By 1980, they were worth \$25bn, and the country was synonymous with profligacy.

Today it owes external creditors more than \$30bn, and corruption is endemic. The military has been politicised, and politics commercialised, and Nigeria's institutions sapped by corruption, to the point that the country may have lost the capacity to manage its own recovery.

This should be engrossing material for any writer worth their salt. But aside from providing a laborious accumulation of data about the oil industry, acquired while Khan was a researcher at the Oxford Institute for Energy Studies, the book offers little.

The analysis is weak, and as readable as a dull thesis: "This chapter describes and analyses features of the political and legal environment in which Nigeria's oil industry has developed in the past four or five decades," begins one section.

This expensive book might have some merit if the data were comprehensive. Yet an important table on oil export revenues from 1970 to 1992 (p184), inexplicably gives data for only 14 of those 23 years, offering a random selection from the 1970s, and jumping from 1980 to 1985.

Perhaps Khan is not entirely to blame, for had she been given guidance and competent editing, something worthwhile could have emerged. Every now and then, the book briefly comes to life, as when she deals with the way Nigeria squandered its oil wealth: "What ensued was waste through large, inefficient showpiece projects, waste through federal disbursements to the states, which in turn were irresponsibly handled, waste through mismanagement and through corruption. For every palm greased, for every contract awarded, and kickback received, there has been that much less in the federal government's finances."

The paradox, observes Khan, is that the oil that has destroyed Nigeria also keeps it together: "It may have been the very promise of actual or even future access to oil wealth which has, to a large extent, kept the various separatist, conflictual and destructive influences in Nigeria at bay. In other words, while the promise of the 'oil pie' keeps Nigeria together as a nation, the very nature of its distribution has destroyed the social, economic and political fabric within..."

This, says the book's cover, is "the second in a series on the major petroleum exporting nations ... incorporating research work done at the Oxford Institute for Energy Studies". Unless the Institute raises its standards, it should be the last.

Nigeria: The Political Economy of Oil
by S. Ahmad Khan, Oxford Unversity Press. £29.50. 234 pages

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PRIVATISATION: RUSSIA AND EASTERN EUROPE

Incredible story made clear

***Linda Bilmes** on a tentative step in the direction of fully-fledged capitalism*

Privatisation in Russia and eastern Europe is beginning to attract the attention of publishers worldwide. The topic is being studied not just by academics, but also by the policy makers actually responsible for the initial phases.

These books are among the first to evaluate the effects of privatisation in the region, which is a valuable exercise for those countries about to embark on a second, more difficult phase.

The World Bank has published a series of essays and papers that originated in a conference last summer, attended by the key architects of Russian privatisation, including Anatoly Chubais (now deputy prime minister), Maxim Boycko (now head of the Russian privatisation centre) and Professor Andrei Schleifer of Harvard.

Russia: Creating Private Enterprises and Efficient Markets is a remarkable compendium because it was written by the people who really did it.

The book chronicles the extraordinary story of the privatisation programme in Russia – which must be the largest sale of assets in history. The overview chapter, written by Ira Lieberman, is excellent. It explains, simply and clearly, how Russia privatised some 14,000 medium to large enterprises, employing some 14m people. It describes the voucher programme, through which 144m Russians (over 95 per cent of the population) received a voucher, and then participated in share auctions in some 85 regions. It explains how the 600 investment funds were set up, how 40m Russians became shareholders in firms or funds – and all of this, essentially in two years.

By any yardstick it is an incredible achievement, and this is the clearest explanation yet of how it happened.

The chapter entitled Techniques of Mass Privatisation: Implementing the Voucher Auction Programme is possibly the only intelligible guide available to what was a highly complex auction process.

Looking ahead, the chapter by Messrs Boycko and Schleifer sets out the challenges facing Russia now that the privatisation has taken place. These include a desperately-needed reform of the securities market and the need for some form of land registry to facilitate the lawful transfer of property.

Most importantly, the authors ask what will happen as the newly-privatised enterprises, most of which are now owned by their workers and managers, have to restructure – leading

Privatisation boon: A fashion show in a Minsk clothing factory *Tony Andrews*

inevitably to mass unemployment. They also look at what may happen to the 60 per cent of enterprises which have *not* been privatised.

The book, available from the World Bank's private sector development department, is a worthwhile purchase for anyone wishing to understand Russian privatisation.

Privatisation and Economic Development in Eastern Europe and the CIS offers a quite different approach. Aimed primarily at investors and business managers, this book takes a cursory look at the issues of privatisation, and therefore the chapters dealing with this topic seem superficial.

On the other hand, the technical chapters, including those on the legal environment, the role of the IFC, risk insurance and infrastructure investment, provide solid guidance for the target audience. The book is written by a number of lawyers, consultants and bankers who work in the area, so the chapters reflect their practical knowledge.

Two chapters in particular are worth mentioning. Financing Projects in a High Risk Environment, by Bill Browder, a vice-president at Salomon Brothers, is particularly rigorous and well-documented. The chapter on legal reform, by W.E. Butler and Maryann Gashi-Butler of Clifford Chance, presents a clear and concise overview of the legal hurdles facing investors in Russia.

The book is easy to read and use, featuring short red-coloured summaries in the left hand margins. But at £95, it will appeal primarily to the corporate library.

Privatisation in Central & Eastern Europe, edited by Saul Estrin of the London Business School, is a far more academic study. It contains country studies of East Germany, Hungary, the Czech Republic and Slovakia, Poland, Bulgaria, Romania and the CIS, contributed by professors from various universities.

The book fills a niche, fairly open until now, for an analysis of the practical results of the privatisation programme against economic theory. It is not suitable for – indeed, not aimed at – the business practitioner, as the case studies are heavy on the algebra and focus on theoretical analysis. This places the book outside the reach of most MBA students and firmly in the realm of economists.

One of the book's strengths is that it makes it possible to compare each country's approach to privatisation, and to evaluate their relative performance. The Russian and Czech schemes, based on voucher distribution and aiming to create mass ownership, provide a stark contrast to the Polish approach, based on creating investment funds and allowing cash purchases and foreign investors.

Together, these three books reflect the coming of age of this topic. Respected economists, practitioners and academics are beginning to sit back and think about the changes that privatisation has brought about. Their common conclusion is that privatisation is only the tentative first step in the direction of fully-fledged capitalism. It is still too early to see whether each country has the will to see the process through.

Linda Bilmes is manager of the Boston Consulting Group.

Russia: Creating Private Enterprises and Efficient Markets
by Ira Lieberman and John Nellis, The World Bank: Private Sector Development Department, £15.95, 255 pages
Privatisation and Economic Development in Eastern Europe and the CIS
edited by Haydn Shaughnessy, John Wiley, £95, 183 pages
Privatisation in Central and Eastern Europe
edited by Saul Estrin, Longman, £19.99, 331 pages

ACCOUNTANCY

Truth – and the search for profit

***Michael Power** considers the essential tension that is found within the profession*

In recent years there have been rumblings in the accountancy world about over-regulation. Confronted by the extensive pronouncements of the Accounting Standards Board and its auditing counterpart, senior accountants have begun to complain that "professional discretion and judgment" are threatened: under an avalanche of detailed rules, accountants have less room to exercise their expertise. And, so the argument goes, it is the public which will ultimately suffer.

There is nothing new in this debate; all professions have it from time to time. And history shows that practitioners in many different fields of work have resisted the increasing codification and formalisation of their craft.

They have good reason for doing so: a certain ambiguity and mystery about what they do is the very source of their social standing and commercial success. Codification often leads to routinisation, which in turn threatens cherished professional jurisdictions.

In the field of accounting, this issue is further complicated by forces which pull in different directions. On the one hand, accountants as auditors must pass judgment on whether financial statements issued by companies are "true and fair", a role in which they must be seen to function as independent and neutral experts. On the other hand, accountancy is now big business, providing a range of services which oil the wheels of capitalism.

It is this essential tension which links these books by Bob Parker and Christopher Nobes, and Gerard Hanlon: a professional service function organised around ideals of truth and fairness versus a commercial operation with the overriding goal of profit.

No-one seem to agree on what "true and fair" in accounting really means. It is "central but mysterious", a "will-o'-the-wisp" and an "article of belief, a credo, a symbol". And research by Bob Parker and Christopher Nobes suggests that it has little of an operational role in auditing. However, unlike the idea of "fair presentation" in the US, it is also a complex legal concept. From humble origins, as an afterthought in the Companies Act 1948, "true and fair" has been exported to the rest of Europe largely, it is thought, to prevent the domination of the German model of commercial law in Europe.

Unlike many similarly vague legal concepts, "true and fair" has an underdeveloped jurisprudence. Is it a legally transcendent concept or is it simply shorthand for compliance with accounting standards? Recent legal opinion suggests the latter. Accordingly, the standing of the ASB as quasi-legislator has been reinforced. But accounting standards must also accept the overriding requirement for accounts to give a true and fair view, and that may require departure from specific standards. Opinion in Europe remains divided on the status of this override: how routinely can it be invoked and how widely can one construe the "exceptional circumstances" in which it may be required?

Such questions reflect the theological preoccupations of a small network of European bureaucrats and their academic advisers. But they also direct attention from considerations of what "true and fair" means to questions of *who* is allowed to decide *what* it means.

Nobes and Parker explore the shifting meanings of "true and fair" in Europe to the point where questions of professional territories become visible. Is it ultimately a matter for lawyers or expert accountants to decide? Control of the meaning of "true and fair" is important because, as the authors suggest, it provides auditors with flexibility in their dealings with corporate clients.

Hence, it is closely linked to the commercial success of accountancy firms and their ability to sell a product responsive to local client demands. This leads naturally into Gerard Hanlon's analysis: one accountant in his study revealingly defines "true and fair" as a "comfortable feeling" about the accounts.

Thus, from the high altitude world of standard-setting and legal opinion we have now moved to the intuitive "back stage" of accountancy and audit.

Client lack of respect for the audit process is reflected in auditors' poor self-image, overcome only by the promise of advancement to partner. But one has to be a certain "self-supervising" type and do the right things in the right places in order to be trustworthy. Secondments to New York to do routine clerical accounting work count for more than, say, helping run the Kenyan economy. And thinking hard about the true and fair view is certainly not a recipe for "getting on".

Hanlon's analyses of audit at ground level are located within a larger thesis. The rise of accountancy and the international domination of the "big six" firms are framed in terms of "flexible specialisation". Roughly speaking, this suggests that the capitalist system, in search of increased profitability, has developed a flexible service class of accountants and lawyers with which to monitor itself.

One problem with Hanlon's claims is that, although he acknowledges that accountancy has always been commercial, we are not given a feel for what is distinctive about recent developments. And the assumption of a professional ethos which has lost out to a enterprise culture is often asserted but never really unpacked. This matters because accountants have worked hard over the years to shed their "anti-entrepreneurial" image as conservative bookkeepers.

For all its analytical unevenness and stylistic idiosyncracies, *The Commercialisation of Accountancy* is one of only a few monographs on an important subject. Practitioners work hard to present what they do as compatible with the public interest, in compliance with professional ethics and in the service of an objective view. At the heart of this self-presentation is a defence of "professional judgment" which is capable of knowing what is "true and fair" and which is threatened by excessive rule-making.

In different ways Parker & Nobes and Hanlon remind us that accountants and accounting operate in a complex space between public and private interest, between truth and the search for profit and between official and unofficial faces of practice. Perhaps commercially flexible specialists will always require semantically flexible accounting concepts?

Michael Power is Coopers & Lybrand fellow in accounting and finance at the London School of Economics and Political Science.

An International View of True and Fair Accounting
by *R.H. Parker and C.W. Nobes*
Routledge, £37.50, 155 pages
The Commercialisation of Accountancy
by Gerard Hanlon, Macmillan, £40, 285 pages

DERIVATIVES AND GOLD MINING

The case for hedging

***Kenneth Gooding** on a forthright book that breaks through the jargon barrier*

Barrick Gold, one of the world's biggest gold mining groups, boasts that by astute hedging it has added US$270m to its net earnings over the past seven years. This must be a matter for congratulations, you would think.

But some in the gold business passionately argue that, by hedging, gold companies such as Barrick are making short-term gains at the expense of the long-term health of the gold industry. Hedging, they insist, all too frequently puts a "cap" on the gold price when it wants to go up.

Jessica Cross, a leading authority on the subject, admits she once placed her flag firmly in the anti-hedging camp. Now she has changed her mind. While the main aim of this book is to teach us in simple terms about the derivatives revolution as it affects the gold market, Cross takes the opportunity to demolish all the arguments against hedging by gold miners.

For example, anti-hedgers point out that any company that sells its gold forward will not get all the benefits if the gold price makes a sustained rise.

Cross insists, however, this is a "very acceptable" premium to pay to protect a company against a sharp drop in the gold price and for "insurance which may tide the mine over some very lean years when the gold price may be behaving like a vindictive child". Companies need only ask themselves which is more important – "hedging a proportion of production which effectively covers costs and ensures the survival of an operation, or the opportunity cost of not being able to sell all one's output at a higher price".

In any case, options can be used to allow a company to benefit from most of any price rise. And, to anti-hedgers who suggest options are expensive and over-priced, Cross suggests, "not if you shop around and get a number of quotes, just as you would when shopping for golf clubs or a car".

Anti-hedgers frequently argue that shareholders in gold mining companies simply want a proxy for gold and want the high risk/reward exposure of the gold price. Hedging, therefore, reflects a poor understanding on management's part of what shareholders want.

Cross will have none of that. Ask shareholders what they would want least: their investments going to the wall or being less geared to an anticipated, but not guaranteed, rally in the gold price. She also points out that most big shareholders in mining companies are institutional investors, often pension funds, which aim to provide steady, reliable returns. "A high risk/reward, commodity price-driven, roller-coaster is the very last thing they want."

Other anti-hedging arguments are disposed of in an equally forthright manner. Cross sums up thus: "Mining is a competitive business and individual companies should make use of all means available to them to enhance their competitive advantage ... It makes no difference whether the dividend comes from careful cost control, efficient mining and milling methods or active financial engineering, the ideal investment is in a stock whose management has the skills to manage all the areas of risk."

Having established the case for hedging by gold miners, Cross says the derivatives business is shrouded in jargon accessible only to those who either create and market the products or who make regular use of them. "Newcomers are confronted by a bewildering and totally unnecessary language barrier which only serves to delay their entry into what otherwise could be a very available and potentially lucrative market."

So she sets out to demystify derivatives, explaining such things as down-and-in-calls, knock-out options, naked options, up-and-out puts, without using a single mathematical formula.

She suggests that, once you get the hang of the thing, you can have some fun inventing your own jargon. Her favourite among her personal inventions is one that appeals to those many gold market participants frustrated by the refusal of the gold price to go conclusively above US$400 an ounce. Called the "look-back-through-time-to-happier-days option" it takes the holder back to the gold price on January 21 1980 – $850 an ounce.

New Frontiers in Gold: the Derivatives Revolution
by Jessica Cross
Rosendale Press, £30, 127 pages

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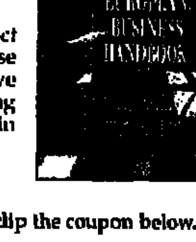

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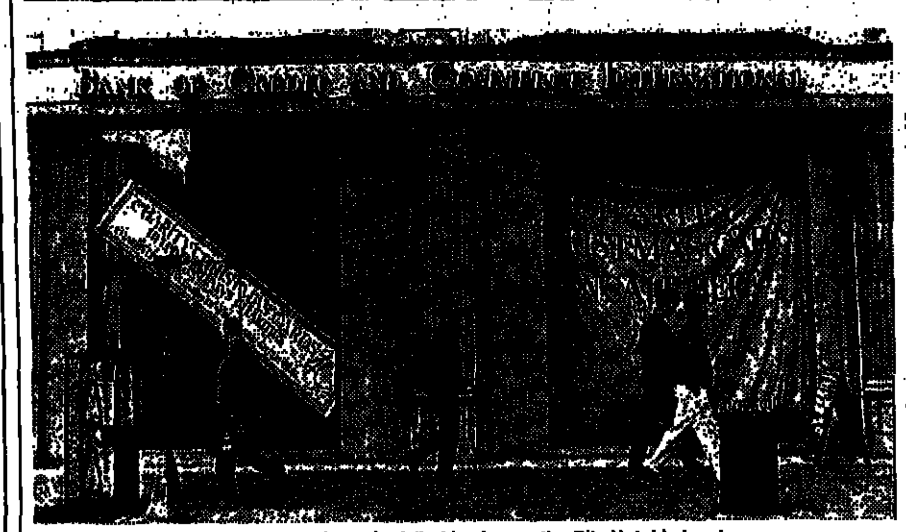

A charity shop takes over the premises of a failed bank near the Ritz Hotel in London *Tony Andrews*

THE WORLD ECONOMY

The nation state's new tasks

***Stephanie Flanders** on the effectiveness of international co-operation*

This is a book both blessed and cursed by its publication date. Blessed, because both the Barings bank collapse and the Mexican crisis last December raised many of the issues which the title *promises it will address.* Cursed, because anyone buying the book in hope of a recipe for avoiding similar mishaps will be disappointed.

Some simply welcome the globalisation of capital and goods markets as a force for worldwide growth and prosperity. Others are wary – or downright strident – about the consequences for employment and stability in industrialised countries. Both sides, however, often agree that a global economy will leave little room for the lowly nation state. Kapstein, a co-director of the Economics and National Securities Programme at Harvard University, aims to prove them wrong.

As early as 1969, the economist *Charles Kindleberger* commented that "the nation state is just about through as an economic unit". As well as reminding us that such obituaries have been *written before, Kapstein* claims that more recent experience in the world of international finance shows that nation states will be the most important actors on the world stage for some time to come.

Kapstein does not deny that globalisation has presented national governments with a host of new challenges. All are having to cope with the fact that they cannot insulate their economic policies, or domestic financial systems, from the actions of the footloose investors and companies worldwide.

Nor, as an experienced international banker himself, does the author doubt that globalisation has gone furthest in the realm of international finance. He quories, however, the assumption that, since the global capital market is now located somewhere "offshore", national governments are correspondingly at sea when it comes to managing it.

Kapstein provides a very readable account of efforts to regulate an increasingly lib*eralised world capital mar*ket since the mid-1970s breakdown of the "Bretton Woods" system of international monetary arrangements. Governments have *indeed sought international* regulatory solutions, for example in the Basle Accord on international bank capital standards signed by the "G10" countries in 1988. But, he argues, almost all of these co-operative efforts "rest on the bedrock of home country control".

> **Governing the Global Economy: International Finance and the State**
> by Ethan B. Kapstein, Harvard University Press, £23.95/$35.95, 224 pages

Essentially, this means that governments are responsible for the solvency of all banks headquartered on their soil, even if the bulk of their business is done overseas. "States look to one another, rather than some *supranational or multilateral* entity, to legislate and enforce [these] agreements. As a result, the linkages between states and their national banks have not *been broken by globalisa*tion, and in some respect they have been strengthened."

It is difficult to quibble with Kapstein's account of the facts, or, indeed, his explanation as to why international co-operation has taken this form. Even if governments believed that a global banking policeman would be economically optimal, few relish the prospect of losing all control over domestic financial companies. International co-operation which supports home country control is the more politically palatable solution.

Home country control may be politically inevitable, but that does not make it adequate. As Kapstein points *out, agreements along these* lines do not address the fact that different states are more or less skilled at regulation: an obvious difficulty in the Mexican case. Moreover, *events like the collapse* of Barings, or that of Bank of Credit and Commerce International, show that the system has difficulty dealing with even a single "rogue" *in the system, let alone a* full-blown systemic shock.

Although sceptical about its ability to deal with a truly global crisis, Kapstein believes that the model of co-operation established in the world of international finance over the past 20-odd years has at least provided a day-to-day framework for dealing with globalised markets. He claims, further, that it is a model that may usefully be applied to other "global" governance problems such as the regulation of oil tanker pollution or international *telecommuni*cations networks.

It is not clear that he can take this further leap. Banking may be the closest thing to a fully functioning global *business, yet it is also a sec*tor peculiarly well-suited to the type of multilateral co-operation that Kapstein describes. Banks have long been subject to more national regulations and controls than any other business, and have therefore largely remained closely tied to their home regulators. Moreover, for all the national variations, capital standards and other requirements tend to include the same core elements in different countries.

Few of the other problem sectors in the global economy share these characteristics. Here, too, Kapstein may be correct in thinking that nation states will resist supranational solutions. But the fact that "home country control" has proved so inadequate in the one sector where it had perhaps the greatest chance of success provides few grounds for hoping that it will be up to the job.

SINGAPORE

Success story put under strain

***Christopher Howe** praises a new history*

Manufacturing shirts at the Great Asia textile company in Singapore *Glyn Genin*

The development of Singapore is one of the most consistent economic success stories in Asia. W.G. Huff's book is an important contribution to our understanding of this. Indeed, it stands alone for its quality and comprehensiveness and is an excellent base from which to study Singapore and the prospects of the east Asian region generally.

Founded in the early 19th *century by the far-seeing Sir* Stamford Raffles, Singapore achieved the status of colony in 1867. By the 1870s the island was launched upon a trajectory of development as a port of call between India and the Far East (helped by the opening of Suez), and as an entrepôt for commodities produced in the Malay States and the Dutch East Indies (modern Indonesia).

As Huff emphasises, the entrepreneurial, financial and service skills formed over the 70 years leading up to the second world war were vital in facilitating Singapore's postwar growth. As with other Asian success stories, the roots of fast growth went deep.

> **The Economic Growth of Singapore: Trade and Development in the Twentieth Century**
> by W.G. Huff, Cambridge University Press, £60, 472 pages

The background to the establishment of Singaporean independence was turbulent, caught as it was between new nationalisms arising from the collapse of British and Dutch colonial power in Asia. Against these regional uncertainties, Singapore embarked upon a course of export-oriented *industrialisation.*

What is so interesting about this is the unique combination of mechanisms chosen to achieve it. The core of the strategy was to make Singapore attractive to foreign investors just at a time when multinationals were embarking on a major phase of relocation and globalisation of production. Singapore's inducements included continuation of the free port principles, fiscal incentives, minimal bureaucratic interference and a subdued labour force which possessed the requisite skills and whose real wage was effectively set by government.

The other part of the strategy was the provision of good physical infrastructure (ranging from container ports to housing) partly financed by a "provident fund". In 1980, for example, the fund's income amounted to 38.5 per cent of wages and salaries (contributed obligatorily by employers and employees) and it supplied one-quarter of gross savings. By use of the fund, the overall savings rate rose above 40 per cent – the level we associate with forced savings in planned economies.

Among the NICs, com*pared to Taiwan and South* Korea Singapore has had the advantage of not having to go through a phase of agricultural development.

One singular feature of Singapore's performance is the extent to which it is still a foreign-owned industrial city. For the share of direct exports coming from mainly or wholly foreign-owned firms remained at about 85 per cent from 1975 to 1990. The contrast with Taiwan is striking here, *since* Taiwan also wooed the foreign investors but has, over time, absorbed even their most sophisticated skills into the local economy with all the *benefits entailed.*

Looking to the future, the economy continues to have underlying strengths, including its location and labour compensation rates that are low in relation to the US and Japan. However, there are potential problems touched on but not fully explored in Huff's book. Unlike other Asian high fliers, Singapore has had very limited success in spinning off production to low cost locations, although the rise in wages provides the same push factor found elsewhere. Second, although some belated and rather unconvincing efforts at political fence-mending with *China have been made in* recent years, Singapore's plans to expand into the service sector lack the advantage of Hong Kong's integral links with China and its special relationships with Taiwan and Japan.

More fundamentally, Singapore is seeking to base its future on sophisticated services and industrial activities dependent on research and development. But as Huff points out, the coun*try's research and develop*ment have remained weak.

A difficulty here is not only the smallness of Singapore but also the restlessness of staff with high-level *skills,* who have become increasingly internationalised. Singapore may find that a society which pressurises its critics and whose higher educational institu*tions* find themselves overshadowed by local rivals, lacks the long-run foundations for such development.

Christopher Howe is professor of economics at the School of Oriental and African Studies, London.

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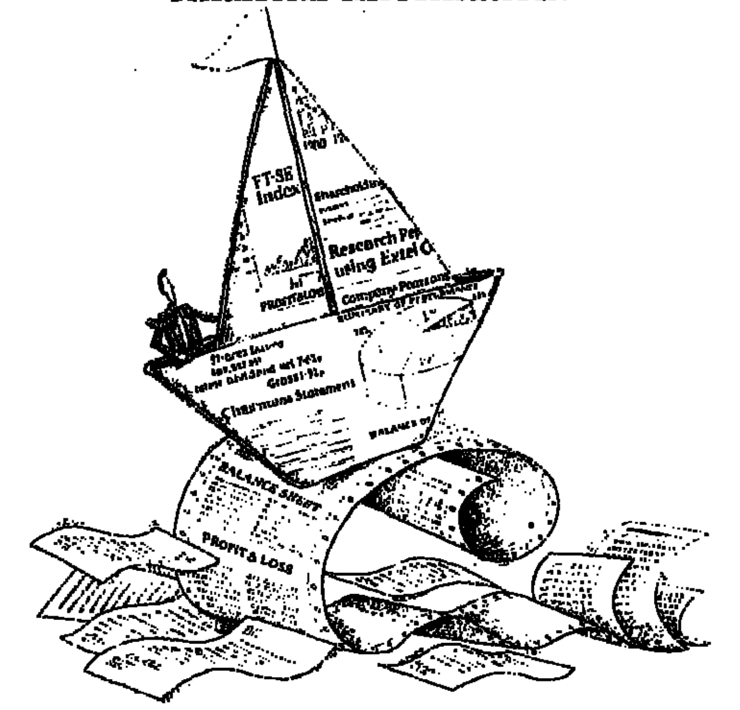

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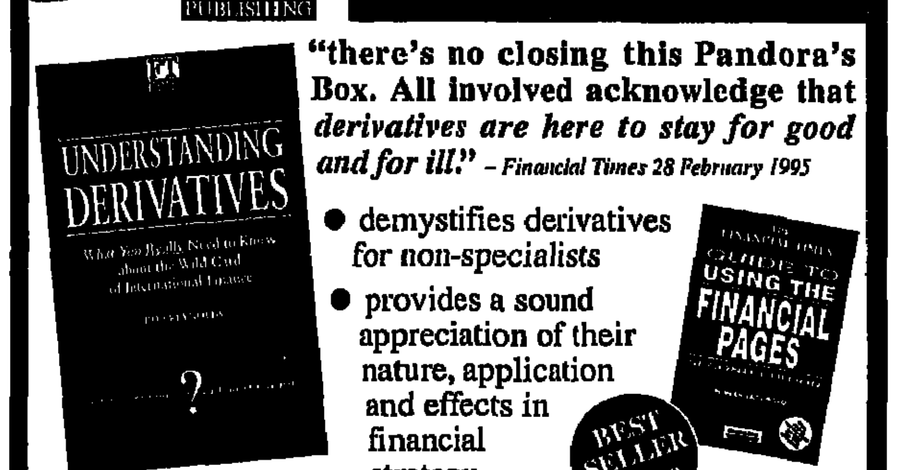

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The first meeting of the World Trade Organisation, the successor to the General Agreement on Tariffs and Trade, took place in Geneva on January 31 this year AP

TRADE GROUPS

The 1990s vogue

Guy de Jonquières on the global rush to regionalism

Globalisation was the *leitmotif* of international economic change in the 1980s. But to judge by the speed at which countries around the world have recently banded together in trade groups, regionalism is set to be the vogue of the 1990s.

In the past three months alone, the 18 Asia-Pacific Economic Forum members have pledged to remove all regional trade barriers by 2020; 34 western hemisphere countries have agreed to create a free trade area by 2006; the four-country Mercosur has been relaunched in South America; and the EU has admitted three new members.

These developments are the more striking – and puzzling – because they coincide with the most ambitious attempt yet to create a truly global trading order, in the form of the Uruguay Round and the World Trade Organisation, both of which came into being at the start of this year.

This collection of essays *sets out to explain these* confusing and apparently contradictory trends. The central questions they raise are: what lies behind the rush to regionalism, and are its overall results likely to be positive or negative for the world economy?

The first question is easier to answer than the second. Until 10-15 years ago, most regional trade groupings were driven more by political than economic pressures, and were often designed to encourage import substitution rather than to expand international trade. Many such experiments failed.

Since then, hugely increased capital mobility, financial liberalisation, technological advances and the expansion of transnational enterprises have encouraged a dramatic change of approach aimed at freeing – rather than controlling – trade and investment flows.

How successful the new approach will prove is hard to judge. Little is known for sure about how trade blocs work, though experience suggests that geographic proximity is a powerful spur to integration, and that the relative levels of development of the economies involved closely influence the results.

Furthermore, there is no such thing as a standard economic bloc. The EU is the grand-daddy of them all. But *its pooling of sovereignty*, centralised bureaucracy and common commercial policy make it a unique example of "deep" integration, which no other regional grouping seems keen to emulate.

The positive case made for most recent groupings is *that liberalisation can* advance faster in regional forums than in unwieldy multilateral negotiations, and that achievements in the former can help accelerate progress in the latter.

There is evidence to support both claims. The EU's single market programme is a far more ambitious blueprint for integration than any yet achieved in Gatt, while the formation of the North American Free Trade Area and renewed impetus behind Apec appear to have helped push the Uruguay Round to a successful conclusion.

Liberal economists remain concerned, however, that regional blocs could become substitutes for multilateralism, and that any increase in trade within them could be at the expense of trade with the rest of the world.

This is more than a theological issue. Apec members, for instance, are far from agreed on whether planned liberalisation should be extended automatically to other trading partners, or should be used as a bargaining chip to exact concessions in return.

Many observers have called for stronger Gatt provisions to ensure that regionalism does not undermine multilateralism However, David Henderson argues in this book that this supposed dichotomy is exag*gerated*.

He does not dismiss the danger of the multilateral system fragmenting into regional blocs. But he believes the key question is whether the national policies of blocs' members favour liberalism or interventionism – *above all in North America* and the EU.

That, in turn, is likely to be influenced by how governments in the two regions respond to the economic dynamism and competitive challenges generated by emerging economies, above all in east Asia.

It is noteworthy that east Asia continues to achieve explosive growth rates and to account for a fast-expanding share of world trade without recourse to regional trade blocs. That fact not only raises questions about the real value of such arrangements. It also suggests that emerging economies which have prospered through export-led growth may be the most stalwart guarantors of the multilateral system in the future.

The Future of Regional Integration
Edited by Vincent Cable and David Henderson
Royal Institute of International Affairs, £9.95, 198 pages

UK TRADE UNIONS

They're still resilient

Robert Taylor considers if there has been a shift in the power base from labour to capital

Are trade unions in Britain becoming obsolete?

Today only about one in three UK workers belong to them while less than half the employed labour force are now covered by collective bargaining agreements. Industry-wide wage deals are hard to find while group or individual performance has replaced the "going rate" in deciding pay at many workplaces.

The "old" industrial relations based on shopfloor power is much less in evidence. Strikes are virtually unknown, unit labour costs *continue to fall while manu*facturing productivity growth is the highest for a long time.

The crucial question is if this apparent transformation has brought about an irreversible shift in the industrial power balance away *from labour to capital*, reinforced by global competitive pressures, technological innovation and the growth of new employment patterns such as part-time work. Is non-unionism providing companies with a more effective alternative to traditional forms of employee representation?

These four books, in differing ways, provide some answers. McLoughlin and Gourlay suggest in studying a handful of non-union companies in the south-east that "even in high technology, they do not appear to have found universally applicable solutions to the problem of managing without unions".

The authors are cautious *about prospects for a union*-free shopfloor and cast doubt on whether a new era of individualism based on enlightened human resource management (HRM) has really arrived. Their own research findings suggest the move to HRM and non-unionism for the "cautious post-Donovan manager may present too radical, risky and above all costly an alternative" to consider.

Moreover, they argue unionised establishments are "more likely to adopt advanced technology than non-union ones". Apparently the absence of trade unions in a plant does not provide management with "an automatic advantage" to carry through change.

Such doubts about the merits of a union-free environment are strengthened by Andrew Scott, a senior researcher at the Department of Employment, in his lucidly written case study of managed change in three food processing companies with contrasting shopfloor traditions.

His main conclusion is while HRM may look attractive to companies, its successful workplace introduction is conditioned severely by the industrial relations history of each establishment. A co-operative strat*egy is hard to sustain in the* face of a divisive shopfloor legacy of "them" and "us" attitudes.

Scott concludes that British management attitudes may have changed but their "new thinking has been muddled and has made only a disappointing impact". He asserts: "As the policies of the 'new industrial relations' have been understood and practised by managers, they have not constituted a successful model for managing employees."

The value of the book lies in its emphasis on the internal factors which explain why and how companies promote change. Scott makes the valid point that workers in responding to HRM techniques are less influenced by market pressures than by their "direct shop floor experience".

Scott provides trade unions with some grounds for optimism in his case studies, arguing that shop steward organisation can still prove "resilient to the *demands made upon them* by management's new approach". As he warns: "Commentators have underestimated unions' continued powers of obstruction: even in contemporary circumstances, management may find it counterproductive to bypass a well-established workplace organisation."

He also casts doubts over the efficacy of non-unionism as an alternative model, saying it is "in itself unlikely to improve workers' commitment". Indeed, Scott suggests that managers – beneath their rhetorical enthusiasm for the "new approach" – retain "a continuing and rather more straightforward desire for enhanced control over work". The message is refreshing and sensible, and treats with a welcome scepticism the fashionable and often uncritical view of HRM *held by too many managers*.

Indeed, Scott doubts "if it is possible to build organisations which can respond speedily to the market whilst maintaining the commitment of employees.

"A genuine consensus about the goals of an organisation cannot be created by denying that there are differences of interest between workers and managers," he asserts. Evidently somebody inside Michael Portillo's employment department still believes a conflict of interest does exist in the workplace between capital and labour.

The main trouble with Ralph Darlington's combative study of Merseyside shop stewards lies in its exceptionalism. No other area of Britain retains such a tradition of workplace militancy based on class politics. However, the book contains valuable insights into the fragility of shopfloor power, even in a trade union bastion.

Far from being the vanguard of a new democratic industrial order in the 1970s, shop stewards turned out to be vulnerable and under the pressure of events became unwilling allies of management-imposed change. *Dependent for their well-being* on employer co-operation or acquiescence, they represented, as best they could, the divided and confused feelings of an increasingly demoralised shopfloor.

But as the 1980s revealed, *often through painful experi*ence, self-reliant, aggressive workplace unionism turned out to be a romantic illusion. It needed the consistent support of trade union organisation outside the workplace to stand any chance of success.

By championing one group *of activists inside the union* structure at the expense of full-time officials, the stewards unwittingly prepared the way for the systematic erosion of their power base at the hands of management.

Any union revival in Britain will therefore have to depend not only on restoring a sense of common purpose between stewards and union officials but also attracting a new generation of activists into trade union work. But do today's unions really have cadres of the young, energetic and committed coming up through the ranks capable of making them strong again?

John Kelly and Edmund Heery, in their highly informative study of the role of Britain's 3,000 full-time union officials, believe it is not going to be easy for the trade unions to regain the initiative. Apparently unions are finding it difficult to adapt to the "new" labour market with its growing female workforce, part-time employment and spread of individual workplace rights. Moreover, few union officials have much experience at recruiting and are concerned almost solely with servicing the needs of existing members.

The book suggests while workplace decentralisation has ensured a resilience of trade unionism in remaining organised plants, national union leaders are finding it hard to redirect their limited resources into strategies to increase membership.

But unless they do so, non-unionism will continue to spread, even if the legal and *political climate were to* grow more sympathetic to trade unions in the event of a Labour government coming to power after the next general election.

Enterprise Without Unions: Industrial Relations In The Non-Union Firm
by Ian McLoughlin and Stephen Gourlay, Open University Press, £40 or £14.99.
Willing Slaves?: British Workers Under Human Resource Management
by Andrew Scott, Cambridge University Press, £30 or £14.95
The Dynamics of Workplace Unionism
by Ralph Darlington, Mansell, £45 or £18.99
Working For the Union: British Trade Union Officers
by John Kelly and Edmund Heery, Cambridge, £30

THE ENVIRONMENT

Target of the message

Who are these books' readers? asks ***Bronwen Maddox***

Environmental publishing is entering a curious phase. As with campaigns from the "green" pressure groups, it can be hard to work out the target of the message. Many authors appear to preach to the converted, who may find a congenial ideology in prophecies of doom, but are unlikely to change their behaviour. *Opponents of* greenery, on the other hand, are unlikely to pick up such books in the first place.

Businesses ought to be the ideal audience in the middle. Their executives may not by temperament be in the forefront of green crusades, but companies are obliged, by increasing layers of regulation, to curb their impact on the environment. To do that, they need to bring in changes in management and *technology which are often* far from straightforward.

However *Environmental Strategy and Sustainable Development*, which says that it is trying to "move forward the environmental debate in business," misses *that target entirely*.

It has some good parts; the ones likely to be of most use to business people are those on carrying out environmental audits of a company's activities, according to UK and European standards. It is also competent on ways of assessing the environmental impact of a product throughout its life. But these are by now well-covered subjects.

Unfortunately, this sober detail sits awkwardly with the apocalyptic statements which make up much of the text, such as: "We now face a real crisis which may ultimately affect the very existence of human life on the planet and the planet itself."

Most oddly for a book apparently aimed at businesses, it is hostile to profit, free trade, and to "the dominant ideology of capitalism". *Sustainable Cities*, on the other hand, has the virtues of aiming low, and getting there. It is of most interest to those involved in urban planning and is full of suggestions, and unusual examples, for improving neighbourhood environments.

The editors of *Global Warming and Energy Demand* pose themselves the question: "Is there a market *solution to global* warming?". The answer of this collection of economic papers, broadly, is yes.

Overall, the book subscribes to the belief that scientific evidence warrants taking global warming seriously, and to that extent it might be classified with the pessimistic school of environmental publication. But the analyses suggest that energy taxes would have some impact on curbing emissions of carbon dioxide.

The answers are not straightforward. They depend on assumptions about energy use, and about people's reaction to higher energy prices, which are all the subject of intense debate. Nor are the authors particularly encouraging about higher energy prices to curb use of transport, one of the most problematic sources of air pollution.

Nonetheless, this is a cool, systematic, up-to-date attempt to estimate the impact of proposals which feature prominently in much environmental rhetoric.

Environmental Strategy and Sustainable Development – The corporate challenge for the 21st century
by Richard Welford, Routledge, £35 or £12.99, 217 pages
Sustainable Cities
by Graham Haughton and Colin Hunter, Regional Studies Association/Jessica Kingsley £14.95 pb, 357 pages
Global Warming and Energy Demand
ed Terry Barker, Paul Ekins and Nick Johnstone, Routledge, £50 hb, £15.99 pb, 336 pages

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UK SHIPBUILDING

Nemesis down the slipway

Charles Batchelor finds this account rich in anecdotes but deficient in analysis

An account of the decline of yet another industry where Britain once led the world suggests a depressing read. A jacket illustration showing the Aquitania on the stocks on Clydebank, towering above a quartet of smiling, bowler-hatted shipyard directors in 1913, hints at the nemesis waiting down the slipway.

Anthony Burton's history of British shipbuilding does tell a sadly familiar tale of incompetence, complacency and astute foreigners only too willing to exploit the opportunities the British missed.

But it is much more than this. Its sweep encompasses the early days when a single inspired inventor could revolutionise production methods and the later period when industrial techniques were increasingly applied.

It is a story spiced with anecdotes: of launchings which generated such friction that the slipway burst into flames; of the tough conditions of the shipyard workers – boys bent over portable stoves, flinging hot rivets to the waiting riveter.

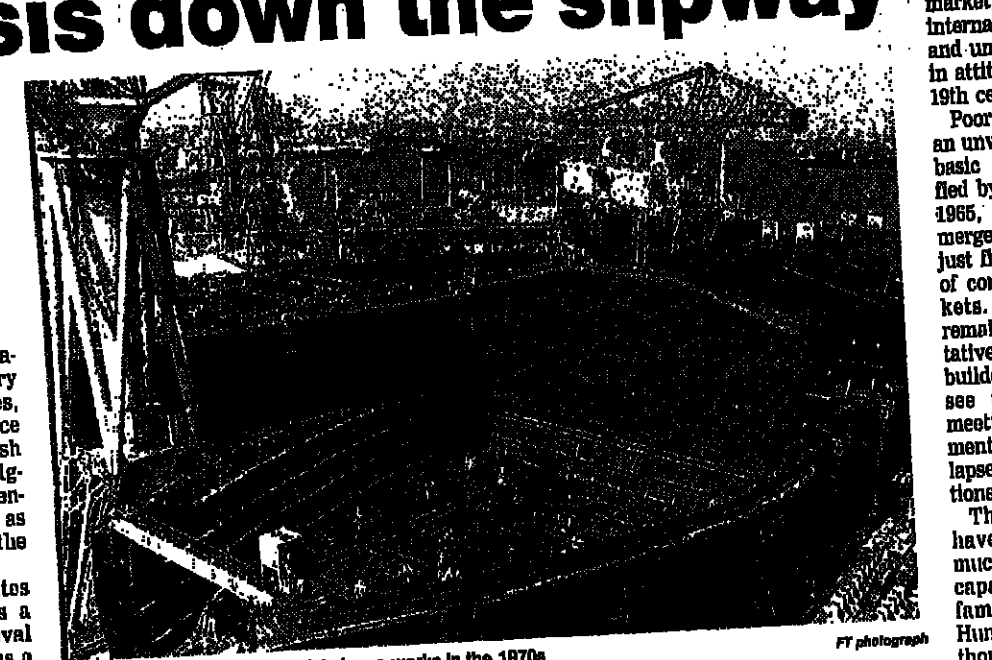
A recurrent theme is the unresolved conflict between those who saw shipbuilding as a craft and those who realised, too late, that it was an industry.

Unsurprisingly, it was the Americans who took to the prefabrication of tankers and Liberty ships during World War II while it was the Japanese, without a long history of craft-based techniques, who swept to prominence after the war. The British yards, meanwhile, grudgingly acknowledged the benefits of innovations such as electric arc welding over the traditional rivet.

In its early days, writes Burton, shipbuilding was a mystery, in the medieval sense of the word – it was a craft without rules and such rules as there were, were closely guarded by the master shipwright. It was only in the middle of the 19th century, when it became clear that French warships were superior to their British counterparts, that the establishment began to appreciate the benefits of a more scientific approach.

The Rise and Fall of British Shipbuilding
by Anthony Burton, Constable, £16.95, 272 pages

As the 19th century progressed, ships grew in size; sail and paddles gave way to iron hulls, steam engines and screw propellers – though the Cutty Sark, queen of the fast tea clippers, now at Greenwich, was used in the commercial trades as late as 1922.



Shipbuilding in Mitsubishi's Yokohama works in the 1970s *FT photograph*

Long-distance steamship travel was initially dismissed as impractical because, it was thought, the weight of coal needed to fire the boilers would render long voyages uneconomic. Navigation would be impossible because iron hulls would confuse the compass. But these difficulties were overcome and vessels such as Brunel's giant Great Eastern, a significant advance for all its faults, were launched.

The beginning of the 20th century saw Britain's predominance as a shipbuilding nation increasingly challenged by Germany. But this was still the golden age of British shipbuilding and the construction of ships such as the Mauretania and the ill-fated Titanic reflected a prosperous and confident industry.

Even so, a combination of autocratic shipyard owners and jealous unions was taking its toll. Most shipyards felt no need to engage overseas agents to sell to foreign markets while it was cheaper to employ large numbers of men who could be made redundant if orders fell than to invest in labour-saving machinery.

Between the wars the owners failed to see the market opportunities for specialised vessels to replace the ubiquitous tramp steamer. At the same time, they complained of the readiness of foreign governments to subsidise their industry. "It was as if all the energy that had made the immense changes ... in the years leading up to the Great War had been used up," Burton notes.

The post-war years were marked by further decline and by the 1960s the industry was unable even adequately to supply its home market, much less compete internationally. Management and unions were still locked in attitudes belonging to the 19th century.

Poor labour relations and an unwillingness to invest in basic research were identified by the Geddes report of 1965, which recommended mergers and the creation of just five super-yards capable of competing in world markets. But old attitudes remained – union representatives at Upper Clyde Shipbuilders were not allowed to see the minutes of joint meetings held with management – and the company collapsed amid fierce recriminations.

The intervening years have seen the closure of much of Britain's remaining capacity, including such famous names as Swan Hunter and Cammell Laird, though the breadth of Burton's historical sweep means that the most recent decades of shipbuilding history are passed over all too briefly.

His conclusion: that everyone was to blame for the industry's decline – reluctant financiers, complacent owners, conservative managers and obstinate workers – may be true but requires a more fundamental analysis than the author is willing to provide.

This, and the lack of an adequate index, are the only blemishes in an otherwise fluent and absorbing account of a once great industry.

SOUTH KOREA

Liberalisation: the issue grows more urgent

Peter Montagnon looks at the prospects for social change

South Korea is in the international spotlight these days. Not only does the prospect of unification with the North beckon after the death last year of Kim Il Sung, but Seoul is also negotiating to join the Organisation for Economic Co-operation and Development. In little more than 30 years Korea has moved from being a backward developing country to the entry threshold of the club of advanced nations.

In this book, written during a spell at the Washington Institute for International Economic Relations, Cho Soon examines both the policies which brought Korea to this stage and the challenges that lie ahead. He concludes that the mercantilist policies on which Korea's development was based no longer suffice. Korea must adapt both socially and economically if it is to secure longer-term growth and play an appropriate role both in the region and the world at large.

The author, a Korean academic who has served both as deputy prime minister and as governor of the central bank, brings practical and theoretical experience to bear on the issue. If that makes his case all the more convincing, it remains to be seen how easily the lessons will be learned. The question of unification has become more urgent since this book was written. It is not clear that a government obsessed with this problem will have the stomach to engineer some of the institutional change he recommends. One cannot help noticing that the negotiation to join the OECD has been beset by delays.

Nonetheless, Cho is almost certainly right when he says the old policies will no longer suffice. Much of the book is taken up with a description of the growth and export-oriented policies that led to Korea's explosion from the 1960s onward. These policies may have been appropriate at the time, but they have left a legacy of weakness. It was the government which formulated economic, commercial and industrial policy. Entrepreneurs knew that, if something went wrong, they would be bailed out by bank loans. The result was a weak banking system and an over-geared corporate sector. While there was what Cho describes as a glut of loans for weak companies, insufficient finance was available for an innovative small business sector.

Printed circuit boards for colour TVs being assembled for export by Samsung in South Korea *David Hayes*

The Dynamics of Korean Economic Development
by Cho Soon, Longman Higher Education for the Institute for International Economics, £22, 208 pages

The policy made for inflationary pressure and became harder to operate as wage rates grew. "Korea's existing institutional framework, marked by the web of mercantilist financial control on both financial and real sectors coupled with chronic inflationary pressure, will seriously impede future growth if allowed to persist in its present form," he warns. It is all well and good for Korea to aim for high growth rates, but there is a difference between aiming for short-term success by the forcible promotion of exports and long-term sustainable growth.

The latter requires a high degree of institutional liberalisation in which government's role is no longer to administer policy but to foster the framework in which a free market allocation of economic resources will promote efficiency. Cho believes this has a social dimension, too. There is a perception among the population that they have been badly treated in the development process. The need is to replace authoritarian government by one that works for consensus through a rational and democratic procedure. Social development goes hand in hand with economic reform.

These are laudable thoughts. Cho is almost certainly right when he says that liberalisation of the external sector, needed if Korea is to play its rightful role in the world community, cannot be achieved without liberalisation of domestic economic and social institutions. Doubtless this book will add weight to the argument that this is how Korea should proceed.

Whether the pace will turn out as fast as Cho would like may be another matter. Unification would bring a high level of risk as well as the prospect of reward. It is not an easy climate in which to promote social change.

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